GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL

AUDIT OF DISTRICT AGENCIES' IMPLEMENTATION OF AUDIT RECOMMENDATIONS

CHARLES C. MADDOX, ESQ.
INSPECTOR GENERAL

OIG No. 01-1-01MA **April 23, 2002**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General

April 23, 2002

The Honorable Anthony A. Williams
Mayor
District of Columbia
1350 Pennsylvania Avenue, N.W., 6th Floor
Washington, D.C. 20004

Dear Mayor Williams:

Enclosed is our final report summarizing the results of the Office of the Inspector General (OIG) Audit of the District Agencies Implementation of Audit Recommendations (OIG No. 01-1-01MA). The audit identified that the District needed to establish a system to track the status and monitor the implementation of recommendations made to District agencies by the OIG, General Accounting Office, various federal inspectors general, and non-government auditors. In response to the audit, the City Administrator has indicated that the Operational Improvements Division of the Office of the City Administrator has designed a database and recommendation tracking protocol to achieve these goals. The audit also showed that on average the 7 District agencies that were reviewed complied with 80 percent of the recommendations. The seven agencies reviewed were:

1. University of the District of Columbia (UDC);
2. Department of Housing and Community Development (DHCD);
3. Office of Finance and Resource Management (OFRM);
4. District of Columbia Lottery and Charitable Games Control Board (Lottery Board);
5. Office of the Chief Technology Officer (OCTO);
6. Department of Corrections (DOC); and
7. District of Columbia Public Schools (DCPS).

We are amending the draft report based on additional information received from the Office of the Chief Technology (OCTO), and in respect to the number of recommendations implemented by DHCD. There is one unresolved recommendation addressed to DHCD concerning the need for recipients of Community Development Block Grants Funds to require employees, officers, and board members to submit annual and supplemental statements of financial interest. We request that DHCD respond to this final report, stating the action taken or planned in response to the recommendation.

717 14th Street, N.W., Washington, D.C. 20005 (202) 727-2540

We appreciate the cooperation and courtesies extended to our staff during the audit. Should you have any questions about this report, please call me or William J. DiVello, Assistant Inspector General for Audits, (202) 727-2540.

Sincerely,

Charles C. Maddox, Esq.
Inspector General

CCM/ws

Enclosure

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The Honorable Joe Knollenberg, Chairman, House Subcommittee on D.C. Appropriations
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Ms. Carol Murphy, Staff Assistant, House Subcommittee on D.C. Appropriations
The Honorable Chaka Fattah, House Committee on D. C. Appropriations
Mr. Tom Forhan, Minority Staff Director, Office of the Honorable Chaka Fattah
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Mr. Russell Smith, Staff Director, House Subcommittee on D.C. Government Reform
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EXECUTIVE DIGEST

OVERVIEW

The Office of the City Administrator (OCA) requested the Office of the Inspector General (OIG) to determine the extent to which District agencies are complying with audit recommendations. In response to this request, as a part of our fiscal year 2001 Audit Plan, we conducted an audit of selected District agencies to determine whether previously made audit recommendations have been implemented. This report summarizes the results of our assessment of District agency compliance with OIG audit recommendations.

The overall objectives of the audit were to determine: (1) whether agencies have implemented agreed-to recommendations that were intended to correct reported deficiencies and (2) whether the reported deficiencies have actually been corrected. The audit included a review and evaluation of corrective actions taken by management on 194 recommendations made in 17 previous audit reports issued to the following 7 District agencies, in the 3-year period from October 1, 1997, through September 30, 2000.

8. University of the District of Columbia (UDC)
9. Department of Housing and Community Development (DHCD)
10. Office of Finance and Resource Management (OFRM)
11. District of Columbia Lottery and Charitable Games Control Board (Lottery Board)
12. Office of the Chief Technology Officer (OCTO)
13. Department of Corrections (DOC)
14. District of Columbia Public Schools (DCPS)

CONCLUSIONS

Our audit identified that the District needed to establish a system to track the status and monitor the implementation of recommendations made to District agencies by the OIG, General Accounting Office, various federal inspectors general, and non-government auditors. This need became evident during our follow-up audit. None of the seven agencies we selected for review had established an organized system for tracking and monitoring the status of audit recommendations.

On May 11, 2001, we conducted a meeting with officials in the Office of the City Administrator (OCA) concerning the need to establish a system to track the status and monitor the implementation of audit recommendations. At that meeting, we provided the OCA suggestions on how to establish an audit tracking system.

On November 13, 2001, we were informed by an official of the OCA that actions have been taken to collect and review past audit reports issued to the District by outside consultants, the D.C. Auditor, GAO, and the OIG. We were further informed that a data tracking system is being developed.

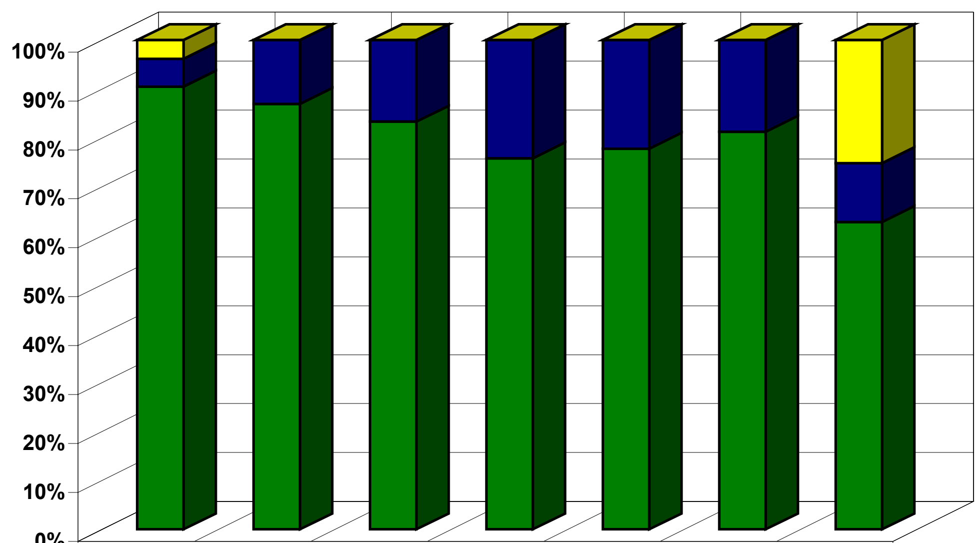
EXECUTIVE DIGEST

The audit showed that the rate at which District agencies implemented agreed-to audit recommendations ranged from a high of 90 percent to a low of 63 percent. On average, the 7 District agencies which were reviewed complied with 80 percent of the recommendations. Where corrective actions were implemented, we believe that sufficient action was taken by management to address noted deficiencies.

We found that 6 percent of the recommendations were no longer necessary to implement because recommended actions were overtaken by certain events, i.e., a change in laws, policies or procedures, operational or system changes, and other factors. However, an average of 14 percent of the recommendations had not been implemented.

The audit also showed that the District lost the opportunity to realize monetary benefits of approximately $1.7 million (See Exhibit 16) because of management's failure to implement all of our recommendations. Therefore, we made the same recommendations to the Directors of those agencies, along with any new recommendations that were necessary. The rate of agency compliance with audit recommendations is graphically illustrated below.

AGENCY COMPLIANCE WITH RECOMMENDATIONS



	DCPS	DHCD	UDC	LB	OFRM	OCTO	DOC
Overtaken By Events	4%	0%	0%	0%	0%	0%	25%
Non-Compliance	6%	13%	17%	24%	22%	19%	12%
Compliance	90%	87%	83%	76%	78%	81%	63%

In the above table, the actions taken by agency management to implement our recommendations are separated into three categories. Each category is explained in more detail below:

EXECUTIVE DIGEST

Overtaken By Events. The recommendation made in the original audit report, in our opinion, is no longer necessary to implement. Action would no longer be needed because of a change in management or internal control structure, laws, rules and regulations, policies or procedures, and other significant or unforeseen events.

Non-Compliance. Management did not take sufficient action to correct a reported deficiency. The recommendation was not completely implemented or the action taken does not satisfy the intent of the recommendation.

Compliance. Management actions were sufficient. The recommendation was fully implemented and/or the action taken satisfies the intent of the recommendation.

DETAIL SCHEDULE OF AGENCY COMPLIANCE WITH RECOMMENDATIONS

Table 2.

	Compliance	Non-Compliance	Overtaken By Events	Total
DCPS	48	3	2	53
DHCD	20	3	0	23
UDC	20	4	0	24
Lottery Board	22	7	0	29
OFRM	7	2	0	9
OCTO	13	3	0	16
DOC	25	5	10	40
Totals	155	27	12	194

The above table shows a detailed breakdown of the number of recommendations made by the OIG and their disposition during the 3-year period of fiscal years 1998 to 2000.

SUMMARY OF RECOMMENDATIONS

This report contains 27 previously reported recommendations and 8 new recommendations made to the executive management of the seven agencies that were audited. In order to facilitate the audit process, we issued Management Alert Reports (MARs) to each of the seven agencies on the results of our follow-up audit (Exhibits 1 thru 7). Formal responses from the agencies were received and evaluated (Exhibits 9 thru 15).

EXECUTIVE DIGEST

We also issued a MAR to the City Administrator and made two recommendations for establishing an organized system for tracking and monitoring the status of audit recommendations (Exhibit 8).

MANAGEMENT RESPONSE

In response to a draft of this report, the City Administrator has indicated that the OCA, Office of Improvements Division (OID) has designed a database and recommendation protocol that meets the intent of the Office of Management and Budget Circular A-50, which guides federal agencies in audit follow up. The response further indicates that the database has the text and status of more than 150 recommendations and will be updated upon receiving reports, studies, and audits. OID also will be sending a regular report to agency Directors to verify that agreed-to recommendations are being implemented (Exhibit 20).

OCTO disagreed with our conclusion that the District incurred costs of approximately $1.7 million for unused telephone lines and with our recommendation to deduct Gross Sales Receipt Tax from telecommunication bills before payment. OCTO has provided additional comments to support their rational. Action has been taken, however, to revise and date the network diagram, as we recommended (Exhibit 18).

Additionally, DHCD has provided additional information that was obtained from a subcontractor to support $350,000 in disbursements made for the New York Avenue Metrorail Feasibility Study (Exhibit 19).

OIG COMMENTS

Based on OCTO's additional comments, we have amended the draft report to remove all references to projected results of the costs associated with unused telephones lines, based on a statistically selected sample. The report now reflects the results of a judgmentally selected sample. However, we remain concerned about the results irrespective of the methodology used. The results show that the District incurred additional costs because of untimely actions taken by OCTO to identify and eliminate all unnecessary and underutilized telephone lines. Therefore, we are currently planning to conduct another audit of OCTO's management of the District's telecommunication system. The audit will incorporate statistical sampling methodology to project audit results.

Additionally, we have amended the draft report with respect to our recommendation for OCTO to deduct the Gross Sales Receipt Tax surcharges from telecommunication bills before payment. We determined, based on additional fieldwork, that our recommendation should have addressed the Gross Receipts Tax surcharge, which is included as part of the telecommunication bill by the service provider, for which the District is not exempt. Therefore, our recommendation is no longer valid and requires no further action. However, we are concerned that the District is in effect paying its own tax, and have provided additional comments on this matter in the section of this report entitled "Other Issues."

EXECUTIVE DIGEST

We evaluated all of the information provided by DHCD to support the total disbursements ($350,000) made for the New York Avenue Metrorail Feasibility Study. In our opinion, the information provided ($105,000 in documented support) is not sufficient to support the total amount disbursed for the study. Therefore, we consider the recommendation closed, but the expenditures for $245,000 remain as questioned costs.

Furthermore, we are amending this report to reflect that DHCD had not taken sufficient action to include a requirement in its subgrants and loan agreements to ensure that Community Development Block Grant Funds recipients require employees, officer, and board members to submit annual and supplemental statements of financial interest. We request that DHCD respond to this final report, stating the action taken or planned in response to the recommendation.

We also issued an engagement letter on March 7, 2002, to begin an audit at DHCD. We are undertaking the audit due to public concerns that several Community Development Corporations (CDC) may be involved in activities that represent conflicts of interest and misuse of funds. Our audit objectives are to evaluate the management of specific CDC projects, assess the benefits arising from investment in CDC projects, and to assess the validity of expenditures for selected projects. We will also evaluate internal controls associated with the above objectives.

I N T R O D U C T I O N

INTRODUCTION

BACKGROUND

OIG's mission is to independently:

- Conduct and supervise audits, inspections and investigations relating to the programs and operations of District government departments and agencies, including independent agencies;

- Provide leadership and coordinate and recommend policies for activities designed to promote economy, efficiency, and effectiveness and to prevent and detect corruption, mismanagement, waste, fraud, and abuse in District government programs and operations; and

- Provide a means for keeping the Mayor, Council, and the District government department and agency heads fully and currently informed about problems and deficiencies relating to the administration of these programs and operations and the necessity for and progress of corrective actions.

Pursuant to D.C. Code, 2001 Ed. § 2-302.08 (f-2) (7), the OIG is required to report annually the status of recommendations previously reported on which corrective action has not been completed. In order to assess the actions taken by agency management in response to previously reported deficiencies, and at the request of the Office of the City Administrator to determine the extent to which agencies are complying with audit recommendations, the OIG has conducted a District-wide audit of agencies' implementation of recommendations from previous audit reports.

The OIG issued 58 audit reports to 18 District government agencies during the fiscal years 1998 to 2000. The reports included, in total, 380 audit recommendations intended to correct noted deficiencies discovered during our audits.

During the same period, the General Accounting Office issued 27 audit reports to the District. Also, Management Comments on internal control weaknesses, which were discovered during annual audits of the District, were issued to the District and included in the Comprehensive Annual Financial Reports. Finally, non-government auditors issued various audit reports to the District.

OBJECTIVES, SCOPE AND METHODOLOGY

The overall objectives of the audit were to determine whether agencies have: (1) implemented agreed-to recommendations that were intended to correct reported deficiencies and (2) actually corrected reported deficiencies. To accomplish our objectives, we reviewed 17 audit reports that contained 194 recommendations (See Exhibit 17) issued to the following District agencies during the period of October 1, 1997, to September 30, 2000.

INTRODUCTION

1. University of the District of Columbia
2. Department of Housing and Community Development
3. Office of Finance and Resource Management
4. District of Columbia Lottery and Charitable Games Control Board
5. Office of the Chief Technology Officer
6. Department of Corrections
7. District of Columbia Public Schools

The agencies were judgmentally selected for review based upon either the number of recommendations made to a particular agency, the significance of the recommendations, or the impact of the recommendations from a cost savings standpoint. We conducted interviews and held discussions with agency officials and personnel responsible for the implementation of recommendations. We limited our review to an evaluation of documentation provided by those agencies to support the corrective actions taken to implement our recommendations. For tracking purposes, the recommendations (in the original reports and the MARs) are renumbered for this report.

We did not perform the second audit object to determine whether the corrective actions taken by agency management actually corrected previously reported deficiencies. Our initial audit planning did not take into account the number and complexity of recommendations that were eventually included in the scope of the audit. Also, the audit effort took significantly more resources than planned. Instead of delaying the audit results to make that determination, we decided to issue the report now in order to obtain timely benefits.

We conducted our audit in accordance with generally accepted auditing standards and included such tests as we considered necessary under the circumstances.

On May 11, 2001, we conducted a meeting with officials in the Office of the City Administrator (OCA) concerning the need to establish a system to track the status and monitor the implementation of audit recommendations. At that meeting, we provided the OCA suggestions on how to establish an audit tracking system.

On November 13, 2001, we were informed by an official of the OCA that actions have been taken to collect and review past audit reports issued to the District by outside consultants, the D.C. Auditor, GAO, and the OIG. We were further informed that a data tracking system is being developed.

We determined that the District lost approximately $1.7 million because of management's failure to implement all of the recommendations. Therefore, we made the same recommendations to the Directors of those agencies, along with eight new recommendations that were necessary. The remainder of this report discusses previously reported deficiencies, actions taken by agency management to correct the deficiencies, and our assessment of management's actions.

INTRODUCTION

OTHER ISSUES

We discovered that the DC Public Service Commission (DCPSC) authorized a surcharge (of 10% on certain services), which is included in the District's telecommunications bill by the District's telecommunications service provider. The surcharge allows the service provider to recover the Gross Receipts Tax (GRT) that it must pay on its revenues.

The surcharge was authorized under General Regulations Tariff Public Service Commission D. C. No. 201, Section 1, 3rd Revised, page 12, D item 6, which states that, "Amounts billed to customers shall include a surcharge to reflect the District of Columbia gross receipts tax rate. The amount on each charge shall be shown on each bill rendered to customers." Therefore, in effect, the District is paying its own GRT, with the surcharge included in the bill.

We question the intent of this regulation, in respect to the surcharge, because it appears to run contrary to D.C. Code § 47-2501, which states in part, "each gas, electric, lighting, and telephone company that sells public utility services or commodities within the District. . . . " shall pay to the Mayor 10% of these gross receipts from sales included in the bill. We believe that the D.C. Council, in conjunction with the District's Office of Tax and Revenue and Chief Financial Officer, should consider addressing legislation to correct this matter.

OPEN AND NEW RECOMMENDATIONS

OPEN AND NEW RECOMMENDATIONS

University of the District of Columbia

Open Recommendations. During fiscal year 1999, the OIG issued three audit reports on operations at the UDC. In total, these reports contained 24 recommendations. The original audits disclosed that improvements were needed in documenting administrative controls over the payment, certification, and distribution of telecommunications charges, and complying with OCTO's Federal Telecommunications System (FTS) 2000 initiatives (subsequently upgraded to FTS 2001). We determined during the follow up audit that UDC paid for telephone services that were not provided. We also found that UDC needed to adequately safeguard its parking fee revenues.

Our follow-up audit determined that UDC did not implement four of our recommendations. As a result, UDC continued to incur expenses for unauthorized charges, did not ensure accountability and proper control of revenues, nor did it take advantage of cost savings mechanisms.

In MAR 01-A-13 (Exhibit 5) we recommended that the President of UDC: (1) develop and implement telecommunications policies and procedures for paying, certifying, and distributing telephone charges, (2) convert UDC commercial long distance services to the FTS program, (3) initiate effective security measures to ensure the adequate safeguarding of cash collections against loss, misuse, or theft, and (4) monitor the activities of the parking lot personnel to ensure that revenues from parking lot fees are collected and that facility maintenance personnel are on site and performing their duties.

New Recommendations. We also recommended that the President of UDC: (5) initiate a refund request from the telecommunications service provider for any exempt taxes paid, and (6) discontinue telecommunications services at the Mount Vernon location and for the International Calling Service, and seek reimbursement for improper charges identified in our report.

Management Response. For the open recommendations, UDC responded to Recommendation 1 by stating that it is in the process of implementing a new telecommunications policy. For Recommendation 2, UDC indicated it is formulating a plan for converting long distance services to the FTS program within the next three months. With respect to Recommendation 3, UDC purchased a safe, and for Recommendation 4, developed a draft of new policies and procedures to be used for collecting parking fee revenue, and currently perform unannounced visits to the parking garage.

OPEN AND NEW RECOMMENDATIONS

In response to the new recommendations, for Recommendation 5 UDC will initiate a request, within one to three months, for a refund from the telecommunications service provider for any exempt taxes that were paid by UDC. With respect to Recommendation 6, UDC will take the necessary measure to discontinue services within three months at the Mount Vernon location and will request refunds for any improper charges. The complete text of UDC's comments on our recommendations is at Exhibit 13.

OIG Comments. Actions taken or planned by the UDC management meet the intent of the recommendations.

OPEN AND NEW RECOMMENDATIONS

Department of Housing and Community Development

Open Recommendations. On February 22, 2000, we issued an audit report to DHCD entitled, "Audit of the Department of Housing and Community Development's Management of Funds Provided to Community Development Corporations" (OIG Report No. 11-99CD), on its management of $150 million of Community Development Block Grant funds during the 6-year period that ended with fiscal year 1999. Our audit revealed that DHCD needed to:

- manage its funds more effectively and establish a performance measurement system;
- monitor projects and account for the funds used for administratively funded projects;
- account for $11,745,000 in expenditures for two projects;
- ensure controls are improved over conflict of interest at Community Development Corporations (CDCs);
- improve records management and locate missing records for Community Development Block Grant efforts, totaling $7,321,282; and
- improve its internal auditing function to comply with government auditing standards and allocate audit resources to areas with higher risk to fraud, waste, and mismanagement.

The report made 23 recommendations to correct the problems mentioned above. We noted that more than half of the recommendations made involved the need for DHCD to establish either a policy, procedure, or program to correct a noted deficiency. Our follow-up review verified that DHCD had established the policies, procedures, and programs we recommended, and had taken sufficient action to address 20 of 23 recommendations. However, because the fieldwork (for the follow-up audit) was performed less than 1-year after the date of our original audit, we could not ascertain whether the newly initiated policy, procedure, or program corrected the cited deficiencies.

We issued an engagement letter on March 7, 2002, to conduct another audit at DHCD due to public concerns that several CDC.s may be involved in activities that represent conflicts of interest and misuse of funds. Our objectives are to evaluate the management of specific CDC projects, assess the benefits arising from investment in CDC projects, and to assess the validity of expenditures for selected projects. We will also evaluate internal controls associated with the above objectives.

In MAR 01-A-16 (Exhibit 4), we recommended that the Director of DHCD**,** (1) realign the Internal Audit Division (Division) within the Office of the Chief Operating Officer; and (2) provide the OIG complete documentation to support all disbursements made for the New York Avenue Metrorail Feasibility Station Study.

OPEN AND NEW RECOMMENDATIONS

Management Response. The DHCD Chief Financial Officer disagrees with Recommendation 1 to realign the Division because the Division is a component of the District's Office of the Chief Financial Officer (OCFO). The DHCD Chief Financial Officer believes that having established the Division in its organization provides independent reviews of DHCD's fiscal operations. In response to Recommendation 2, the DHCD provided additional documents (invoices, reports and summaries) for our review, and will continue to look for all documents that support the total disbursements made for the New York Avenue Metrorail Feasibility Station Study. The complete text of DHCD's comments on our recommendations is shown in Exhibit 12.

OIG Comments. In evaluating DHCD actions, we again reviewed DHCD responses to all 23 recommendations made in the original audit report. Our reevaluation shows that DHCD did not take sufficient action in response to another of our recommendations. That recommendation requested DHCD to include a requirement in its subgrants and loan agreements to ensure that Community Development Block Grant Funds recipients require employees, officer, and board members to submit annual and supplemental statements of financial interest. For reporting purposes, we will refer to this as Recommendation 3 and request that DHCD respond to this final report. These comments should be provided to the OIG within 30 days of the issuance of this report.

For Recommendation 1, DHCD provided a reasonable explanation for not realigning the Division within its Office of the Chief Operating Officer. The recommendation, therefore, is considered closed. With respect to Recommendation 2, DHCD provided us with additional information that was obtained from a subcontractor to support $350,000 in disbursements made for the New York Avenue Metrorail Feasibility Study (Exhibit 19).

We have evaluated all of the information provided by DHCD to support the total disbursements made for the New York Avenue Metrorail Feasibility Study. The information provided to us shows support for $105,000 in disbursements. In our opinion, the information provided is not sufficient to support the total amount disbursed for the study. Therefore, we consider the recommendation closed. However, the expenditures of $245,000 are considered as questioned costs.

OPEN AND NEW RECOMMENDATIONS

Office of Finance and Resource Management

Open Recommendations. During fiscal years 1998 and 1999, we issued two audit reports to OFRM, which reported inadequate internal controls over the budget and payment processes for telecommunication services at OFRM. Further, we reported that the District paid more than $30,000 for optional services that were not authorized. The two reports, in total, contained nine recommendations.[1]

Our follow-up review disclosed that OFRM had taken sufficient action to address seven of nine recommendations made in the original reports. However, two recommendations were not adequately addressed. In MAR 01-A-14 (Exhibit 3), we recommended that the Chief Financial Officer: (1) modify Object Class 308 to separate expenditures related to telecommunication equipment purchases from other telecommunication expenditures, and (2) provide the OIG documentation supporting the cost/benefit rationale not to pursue a $30,000 overcharge.

Management Response. OFRM agreed to implement Recommendation 1, however, OFRM contended that participation is also needed from two District agencies (OCTO and the Office of Financial Operations and Systems) and the District's telecommunications services provider.

In response to Recommendation 2, OFRM stated that prior to 1998, billing was fragmented, and it was impossible to obtain the total population of charges for any agency (at any billing period), and at no time did any agency report the occurrence of unauthorized service charges to OFRM. Also, OFRM stated that a team of consultants, along with the support of the service provider, would be needed to address the issue. Therefore, OFRM decided that it would not be cost effective to pursue the $30,000 surcharge. The complete text of OFRM's comments is attached at Exhibit 11.

OIG Comments. On November 1, 2001, we met with OFRM officials regarding Recommendation 1 and were told that Object Class 308 has been reclassified to include a sub-account to track telecommunication equipment purchases. As such, the actions taken or planned by OFRM meet the intent of the recommendation.

For Recommendation 2, OFRM provided a valid explanation for not pursing the recovery of $30,000 of unauthorized service charges. We note that currently OFRM in conjunction with OCTO has implemented policies and procedures, which should prevent similar occurrences in the future. Therefore, the recommendation is considered closed.

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[1] In MAR 01-A-14, we incorrectly stated the total number of number of recommendations as eight.

OPEN AND NEW RECOMMENDATIONS

District of Columbia Lottery and Charitable Games Control Board

Open Recommendations. In fiscal year 1998, we issued a report on the results of an audit of the Lottery Board. The audit disclosed weaknesses and inefficiencies in the design and operation of the internal control structure of the Lottery Board and non-compliance with laws, policies, and procedures. We made 29 recommendations to the Lottery Board designed to correct the internal control deficiencies and to ensure compliance with laws, rules and regulations, policies, and procedures.

Our follow-up audit disclosed that the Lottery Board adequately addressed 22 of the 29 recommendations made in the original report. However, seven recommendations were not implemented.

In MAR 01-A-06 (Exhibit 1), we recommended that the Executive Director of D.C. Lottery Board, ensure that: (1) repayment agreements are written and executed by all participating agents; (2) a process is established to generate monthly statements for agents with repayment agreements to identify delinquent accounts and develop an aging schedule; (3) terminals are immediately deactivated upon notification of Non-Sufficient Funds; (4) the installation of the new financial accounting system is completed (5) the OIG is provided information as to timelines and milestones to the OIG; (6) a bonding contract with a private company is secured and that its agents to pay the premiums; and (7) its agents provide proof of casualty insurance to cover the cost of replacing the on-line computer terminal and Agency property assigned to the agents.

New Recommendations. We recommended that the Lottery Board: (8) review and reconcile the agent account receivables reports, to include the five missing agent accounts identified, and report the results to the OIG; (9) recover back monies owed from agents whose accounts become delinquent; (10) develop and implement written procedures that require the referral of all delinquent agent accounts to the Office of Corporation Counsel (OCC) for criminal and/or civil prosecution, until such time that the OCC may designate an attorney of the Lottery Board as a Special Assistant Corporation Counsel; (11) develop and implement written collection procedures in instances in which the agent is delinquent in either on-line or instant ticket sales; and (12) refer the $500,000 written off as bad debts to the U.S. Department of Justice for civil and/or criminal proceedings, as appropriate.

OPEN AND NEW RECOMMENDATIONS

Management Response. In response to Recommendation 1, the Lottery Board will continue the use of written agreements when the circumstances are warranted. For Recommendation 2, the Lottery Board implemented a process to notify agents with repayment agreements on a monthly basis, and for Recommendation 3, the Lottery Board will continue to deactivate agents' terminals upon receipt of a Non-Sufficient Funds notice. With respect to Recommendation 4, the Lottery Board will take action to ensure the installation of a new financial accounting system is completed, and for Recommendation 5, will provide information as to the related timetables to OIG. For Recommendations 6 and 7, the Lottery Board will re-examine exploring alternative bonding methods for its agents, and will examine its options to protect Lottery property in the possession of its agents.

For the new Recommendations 8, 9, and 10, the Lottery Board will review and reconcile its accounts receivable reports, to include the five missing accounts identified in our follow up report, initiate an aggressive collection effort in the spring of 2002 to recover outstanding monies due from its agents, and develop referral procedures for criminal prosecutions with the U.S. States Attorney for the District of Columbia.

Also, for new Recommendations 11 and 12, the Lottery Board will re-evaluate its collection process for instant tickets receivables of delinquent, suspended or revoked agents, and with respect to the $500,000 written off as bad debts, anticipates that criminal prosecution will be pursed in appropriate and egregious circumstances and will be referred to the Department Office of Justice for civil and criminal prosecution on a case by case basis. The complete text of the Lottery Board's comments is shown in Exhibit 9.

OIG Comments. Although the Lottery Board did not entirely agree with all of the findings disclosed in the follow-up audit, the actions taken or planned meet the intent of our recommendations.

OPEN AND NEW RECOMMENDATIONS

Office of the Chief Technology Officer

Open Recommendations. During fiscal years 1998 and 1999, we completed two audits at OCTO. The two original audits disclosed weaknesses and inefficiencies in the design and operation of the internal controls at OCTO over the District's telecommunications system. The reported findings included:

1. The District paid over $1.8 million a year for unutilized or underutilized telephone lines;

2. The District inappropriately paid approximately $781,000 in Gross Sales Receipt tax surcharges; and

3. The District does not maintain an inventory of telephone lines and equipment.

We made 16 recommendations in the original reports. Our follow-up review disclosed that OCTO had not implemented 4 of the 16 recommendations contained in our prior audit reports. In the MAR (Exhibit 7) we recommended that OCTO: (1) coordinate actions with the Office of the Mayor in issuing policies that require periodic analysis of line utilization and have all unutilized or underutilized lines disconnected; (2) take advantage of D.C. Code § 47-2005 (1) [2] and deduct Gross Sales Receipt Tax surcharges from telecommunications bills before payment; (3) coordinate an inventory of all District telecommunications equipment and have the results of the inventory certified by each agency head; and (4) coordinate the development of a network diagram of the District's telecommunications system and require that the diagrams be maintained to reflect periodic changes.

New Recommendations. We also recommended that OCTO (5) coordinate actions with District agencies and the vendor who provides telephone services to the District government to eliminate unneeded telephone lines.

Management Response. In response to Recommendation 1, OCTO stated it will develop and present to the Office of the Mayor a draft policy for mandatory use by the agencies of the web-based billing tool WATCH, by November 1, 2001. For recommendation 2, OCTO contends that the recommendation has been specifically addressed, in a memorandum, (previously provided to OIG) from the Office of the Corporation Counsel, dated June 11, 1999, stating that toll telephone service is specifically exempt from the District's Gross Sales Receipt tax surcharge.

[2] Citation is to the 1981 Edition of the D.C. Code, which was in effect at the time the FY 1998 and 1999 audits were conducted.

OPEN AND NEW RECOMMENDATIONS

OCTO's response to Recommendation 3 noted that this recommendation was specifically addressed in the Unified Communication Center Telecommunications Integration Planning Project (UCC-TIPP), an inventory and asset database that is under development. The single agency system trial was scheduled on September 30, 2001, at the Department of Public Works. For Recommendation 4, OCTO contends that the recommendation has been specifically addressed with a network Diagram of Central Payment Agency Telephone Line Count (network diagram), provided to OIG on July 27, 2001.

In response to the new Recommendation 5, OCTO contends that the recommendation has been specifically addressed with actions taken by management before our follow-up audit, and disagrees with the conclusion of our follow-up audit that reports that the District is paying approximately $1.578 million for disconnected and underutilized telephones lines. The complete text of OCTO's comments is shown in Exhibit 15.

OIG Comments. In response to Recommendation 1, we held a meeting with OCTO officials on November 1, 2001, and were informed that the draft policy requiring periodic analysis of line utilization had not been issued. OCTO intends to issue the draft by November 30, 2001. The action planned by OCTO meets the intent of the recommendation.

We have amended the draft report, in respect to our recommendation for OCTO to deduct the Gross Sales Receipt Tax surcharges from telecommunication bills before payment. We determined, based on additional fieldwork, that our recommendation should have addressed the Gross Receipts Tax surcharge, which is included as part of the telecommunication bill by the service provider, for which the District is not exempt. Therefore, the recommendation is no longer necessary.

For Recommendation 3, OCTO officials told us at the meeting held on November 1, 2001, that the single agency system trial, which was scheduled on September 30, 2001, at the Department of Public Works has been moved up to December 30, 2001. OCTO's planned actions satisfy the intent of the recommendation. For Recommendation 4, OCTO's response to our draft report indicates that action has been taken to revise and date the network diagram, as we recommended (Exhibit 18). The action planned by OCTO meets the intent of the recommendation.

We disagree with OCTO's response to Recommendation 5. Although much progress has been made by OCTO, the follow-up audit identified many unnecessary and underutilized telephone lines.

OPEN AND NEW RECOMMENDATIONS

As a part of our follow-up audit, we reviewed the Power Bill dated February 4, 2001, which listed 31,511 telephone lines billed to the District. From a judgmentally selected sample of 238 telephone lines/numbers, we found that 11 lines (or 4.62% of our sample) were not in service. Our sample also found 39 telephone lines (or 16.39% of our sample) that were not answered after many attempts. Therefore, in our opinion, these telephone lines are either inactive or not actively used.

In its response to a draft of this report, OCTO agrees that the 11 telephones lines that were selected as a part of our sample and identified in the February 4, 2001, Power Bill, were not in service. The response indicates that one number was invalid, because it was a billing code and not an actual telephone number. The response further indicates that the 11 telephone lines were removed from the Power Bill between April and August 2001, after the commencement of our follow-up audit.

Based upon OCTO's response, we contacted the service provider to determine the dates the telephone lines had been disconnected and to ascertain if the District had incurred additional costs. We determined that the District incurred additional costs for 10 of the telephone lines for as much as 4 to 13 months after the telephone line had been disconnected. One number was not a valid telephone number.

OCTO also stated in its response that of the 39 telephone lines that we reported as not actively in use, one line had a trouble indicator, seven lines were answered when dialed, and the other 31 were not answered when dialed. OCTO further stated that these 31 unanswered numbers could mean that the telephone lines are assigned to one of the following:

- Building alarms for DC Government buildings, e.g., libraries, schools
- Elevator telephones
- Traffic signal lights
- Heating system heat sensors
- 911 back-up at 300 Indiana Avenue
- McMillan Drive Back-up
- EMA Command Center
- DPW gas pump alarms
- EMA street pedestals for events
- EMA pedestal at the bridge.

OPEN AND NEW RECOMMENDATIONS

OCTO agrees that 10 telephones lines included in the February 4, 2001, Power Bill were not in service (or inactive) and that it could not definitively identify the purpose of each of the 31 unanswered telephone lines. We believe that OCTO needs to increase or intensify its efforts and reviews of telephone lines to identify and eliminate all telephone lines that are not in service or not actively used. The intensified effort will help identify the specific use for all active telephone lines.

However, we remain concerned that the District will continue to pay for unused or inactive telephone lines because of untimely actions taken by OCTO to identify and eliminate all unnecessary and underutilized telephone lines. Therefore, we are currently planning to conduct another audit of OCTO's management of the District's telecommunication system.

OPEN AND NEW RECOMMENDATIONS

Department of Corrections

Open Recommendations. During fiscal year 1998, we issued three audit reports on operations at DOC. These reports, in total, contained 40 recommendations. We reported deficiencies in DOC's internal controls relative to the receipt and disbursement of inmate funds. Specifically, DOC did not comply with the District's Unclaimed Property Act and did not process inmate disbursement requests in a timely manner. We also noted that DOC did not reconcile daily cash receipts and disbursement journals to monthly transaction reports before posting them to the District's financial accounting system.

At the time of our follow-up review, there were five open recommendations. When we issued MAR 01-A-08 (Exhibit 6) to DOC, we consolidated the five recommendations into three, because some of them related to the same policy or procedure. However, to ensure accurate tracking, we are restating the recommendations as they were originally presented during the follow-up audit.

We recommended that the DOC Director: (1) transfer inactive account balances in the amount of $153,847 for FY 93-96 to the Mayor; (2) transfer all inactive account balances from 10/1/96-6/30/98 to the Mayor; (3) streamline and modernize procedures for handling inmate disbursement requests; (4) enforce the requirement that the Inmate Finance Division not process more that 20 disbursement requests at a time; and (5) establish procedures requiring reconciliation of daily receipts and disbursements.

Management Response. DOC has taken action in response to Recommendations 1 and 2 by requesting that the Office of Internal Audit and Security perform a reconciliation of inactive inmate accounts. DOC will report to the OIG the target completion date after an entrance conference has been held. For Recommendations 3, 4 and 5, DOC will review and revise Inmate Finance Unit policies and procedures, and establish written procedures documenting the reconciliation process. The complete text of DOC's comments is shown in Exhibit 14.

OIG Comments. Actions taken or planned by DOC management meet the intent of the recommendations.

District of Columbia Public Schools

Open Recommendations. As a part of our follow-up audit, we reviewed six audit reports issued by the OIG and one report issued by GAO to DCPS during fiscal years 1998 through 2000. In total, the reports contained 53 recommendations.[3]

We previously reported deficiencies in DCPS's Special Education Program and made recommendations to improve DCPS's Medicaid reimbursement procedures. The Superintendent, DCPS, responded that a contract would be awarded to develop a comprehensive database management system for Medicaid billings, and policy and procedures would be established for maintaining Medicaid records.

Our follow-up audit verified that DCPS had awarded a new contract for database management, and that DCPS has established policies and procedures for maintaining Medicaid records. However, due to the current budget deficit reported by District's Chief Financial Officer at DCPS and other significant issues related to the Special Education Program, a separate comprehensive re-audit addressing transportation, procurement, student accountability, as well as the documentation, timeliness, and accuracy of DCPS's Medicaid billing process is scheduled for fiscal year 2002.

Our follow-up audit also showed that three reported deficiencies were not corrected relative to unemployment benefits. DCPS had not established the necessary controls to prevent summer unemployment benefit payments to ineligible employees. As a result, we estimate that unemployment benefit payments, in excess of $700,000, were made to ineligible beneficiaries during FY 2000.

In MAR 01-A-12 (Exhibit 2) we recommended that the Superintendent of DCPS: (1) develop policies and procedures for defining "reasonable assurance" and for implementing the provision of D.C. Code § 46-110 (7), (2) annually provide DOES the names of education aides with high performance ratings and having a reasonable assurance of returning the next year, thereby rendering them ineligible to receive summer unemployment benefits, and (3) coordinate actions with the D.C. Office of Personnel, Unemployment Compensation Unit, to monitor DCPS employees who are receiving unemployment compensation to ensure that these employees are following the provisions of D. C. Code § 46-110 (7).[4]

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[3] In MAR 01-A-12, we incorrectly stated the total number of recommendations as 54.

[4] Citation is made to 1981 Edition of the D.C. Code, which was in effect at the time the FY 1998 to 2000 audits were conducted.

Management Response. For Recommendations 1, 2, and 3, DCPS has established procedures to be notified of any claims for unemployment benefits (in order to determine employment eligibility) and will coordinate its activities with DOES. DCPS will also establish a database that will be available for audit purposes. The complete text of DCPS's comments is attached at Exhibit 10.

OIG Comments. Actions taken or planned by DCPS management meet the intent of the recommendations.

EXHIBITS

EXHIBITS

Exhibit 1: Management Alert Report Regarding Recommendations Issued to the Lottery Board

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

'nspector General

April 3, 2001

Mr. Anthony S. Cooper
Executive Director
District of Columbia Lottery Board
2101 Martin Luther King, Jr. Ave., S.E.
Washington, D.C. 20020

Dear Mr. Cooper:

The purpose of this Management Alert Report (MAR No. 01-A-06) is to inform you that the actions taken by the District of Columbia Lottery and Charitable Games Control Board (Lottery Board) to correct deficiencies previously reported by the Office of the Inspector General (OIG) were not adequate.

Pursuant to the Office of the Inspector General Powers and Duties Amendment Act of 1999, D.C. Law 13-71, the OIG is required to report annually the status of recommendations previously reported on which corrective action has not been completed. In order to assess the actions taken by agency management in response to previously reported deficiencies, the OIG is conducting a District-wide audit of agencies' implementation of recommendations from previous audit reports. The overall objectives of this review are to determine whether agencies have: (1) implemented agreed-to recommendations that were intended to correct reported deficiencies and (2) actually corrected reported deficiencies.

The Prior Audit. On September 30, 1998, the OIG issued a report (OIG Report No. 9812-08) on the results of an audit of the Lottery Board. The purpose of the audit was two-fold: (1) to evaluate the effectiveness of the Lottery Board's internal controls over ticket sales, agent licensing activities, collection of sales revenues from agents, monitoring of online games, and security operations; and (2) to determine whether the Lottery Board's operations were in compliance with applicable laws, regulations, policies, and procedures.

The audit disclosed weaknesses and inefficiencies in the design and operation of the internal control structure of the Lottery Board. The reported weaknesses included:

1. Inadequate internal controls with respect to the proper segregation of functions, management of repayment agreements, and issuance of payment receipts.

717 14th Street, N.W., Washington, D.C. 20005 (202) 727-2540

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2. Noncompliance with agent bank account regulations, non-sufficient funds (NSF) policy provisions of the on-line games monitoring contract, and the need to enforce the minimum sales requirements.

3. Inadequate processes with respect to: reporting capability of the finance computer software, licensing of agents, maintaining agent data files, investigating cancellation reports, conducting employee background investigations, and performing inspections of agents' operating records and facilities.

In the report, we made 29 recommendations aimed at correcting the reported deficiencies. In its response to our draft report, the Lottery Board generally concurred with the findings and provided actions it had taken or planned to address the recommendations made.

The Follow-up Audit. During our current follow-up review at the Lottery Board, we determined that the Lottery Board had not implemented 7 of 29 recommendations contained in our prior audit report. Specifically, the Lottery Board did not establish adequate internal controls for the collection and monitoring of delinquent agent accounts, did not follow prescribed procedures to deactivate terminals for agents whose accounts were delinquent, and did not upgrade its computer software system to maintain automated agent account balances. Based upon a limited review and analysis of the Lottery Board's financial records, we determined that the Lottery Board had written off lottery ticket sales revenue, totaling $500,000, without adequate support or justification. An additional $150,000 is currently due from various lottery agents. Lottery Board officials have not taken aggressive collection action to recover these funds.

We also noted that the Lottery Board had not established a central section or unit within the Lottery Board to oversee and monitor the implementation of audit recommendations. At the entrance conference for our follow-up audit, it was apparent to us that Lottery Board officials were uncertain about the specific actions that had been taken on each recommendation. Without adequate procedures and controls, the District is at risk of losing revenues from lottery ticket sales. The following findings discuss the original reported deficiencies and the actions taken by the Lottery Board to correct them.

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ORIGINAL FINDING 1: Insufficient Controls Over Repayment Agreements

SYNOPSIS

Our original finding concluded that the Lottery Board did not always enter into written repayment agreements for delinquent accounts of its agents. The Lottery Board's controls and procedures were inadequate or not followed. Our current follow-up audit concluded that the Lottery Board did not take the actions we recommended and that it had agreed to accomplish. Consequently, the 13 delinquent accounts, totaling $88,000, that we identified in our original report were either written off as bad debts or unaccounted for in the Lottery Board's records.

DISCUSSION

In our FY 1998 audit, we reported that the Lottery Board's policies and procedures did not require written repayment agreements with agents whose accounts were delinquent. This deficiency resulted in the Lottery Board executing oral as well as written agreements with agents who failed to make weekly bank deposits for the correct amount of funds due to the Lottery Board from the sale of lottery tickets. Agents who do not deposit cash receipts from the sales of lottery tickets can be subjected to criminal or civil prosecution. Failure to deposit Lottery cash receipts may involve both embezzlement and/or bad check liability.

We recommended that the Lottery Board ensure that written repayment agreements are obtained for all agents with delinquent accounts. We also recommended that the Lottery Board establish a monthly statement identifying delinquent agents and develop an aging schedule.

In its response to our report, the Lottery Board agreed to instruct staff not to enter into any verbal agreements. Our original recommendation addressed the need to enter into repayment agreements in an attempt to identify liabilities, decrease or curtail the occurrence of delinquent accounts, or aid in the recovery of funds through court proceedings. We found the actions taken by the Lottery Board have not adequately addressed the original intent of the recommendation.

To demonstrate, our FY 1998 audit report identified 13 agents who collectively owed the District more than $88,000 in outstanding lottery sales revenue. During our follow-up audit, we noted that the Lottery Board had only entered into a written repayment agreement with 1 of these 13 agents. We determined that 8 of these accounts were written-off as bad debts, but we could not determine the disposition of the 5 remaining accounts totaling $31,042.61. The five accounts were not recorded as active accounts as of September 30, 1999, or September 30, 2000. There was also no documentation indicating the accounts had been collected or whether the accounts had been written off.

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Exhibit 1: Management Alert Report Regarding Recommendations Issued to the Lottery Board

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OPEN RECOMMENDATIONS

We recommend that the Executive Director, D.C. Lottery Board, ensure that:

1. Repayment agreements are written and executed by all participating agents.

2. A process is established to generate monthly statements for agents with repayment agreements to identify delinquent agents and develop an aging schedule.

NEW RECOMMENDATIONS

We recommend that the Executive Director, D.C. Lottery Board:

3. Review and reconcile the agent account receivables reports to include the five missing agent accounts identified and report the results to the OIG.

4. Aggressively pursue recovery of back monies owed from agents whose accounts become delinquent.

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Exhibit 1: Management Alert Report Regarding Recommendations Issued to the Lottery Board

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ORIGINAL FINDING 2: Non-Compliance with Requirements

SYNOPSIS

Our original finding concluded that the Lottery Board was not enforcing its policy to deactivate terminals used by agents with accounts in a non-sufficient fund (NSF) status. The 1998 report identified instances of agent accounts being in NSF status for several weeks before their terminals were deactivated. Our current follow-up audit concluded that the Lottery Board did not take the actions we recommended and that it had agreed to accomplish. Specifically, the Lottery Board did not timely deactivate terminals after receiving NSF notifications. We reviewed six agent case files in NSF status and found that some files contained "Notification of Intent to File Criminal Charges" indicating the matter would be referred to the United States Attorney for the District of Columbia. However, in only one instance was the case referred for criminal charges. In three of the remaining five cases, terminals were not deactivated within the prescribed time limits.

DISCUSSION

The Lottery Board's policy for an account with a NSF notice is to temporarily deactivate the agent's terminal until payment is received. A terminal is required to be suspended for 1 week if the account receives three NSF notices, and an agent's license shall be revoked after the fourth NSF notice.

In our FY 1998 audit, we reported that the Lottery Board was not enforcing its policy to deactivate terminals for agents with accounts in a NSF or delinquent status. We recommended that the Lottery Board ensure that terminals are immediately deactivated upon the notification of an agent in NSF status.

The Lottery Board concurred with our findings and recommendations and agreed to immediately deactivate terminals and revoke agents' licenses in accordance with its policy

Our current review disclosed that the Lottery Board did not take the actions that it had agreed to take. Specifically, it did not deactivate terminals for agents with accounts in a NSF status and did not revoke the licenses of agents that had received four or more NSF notices as required by its policy. Lottery Board procedures require specific actions to be taken when an account is in an NSF status. Lottery Board officials did not sufficiently monitor the agent accounts; consequently, established procedures were not followed. Failure to deactivate terminals after notification of NSF status allows the agents to continue to default on payments and undermines the intent of the Lottery Boards policies and procedures.

As a part of our current review, we examined case files and other documents for six agent accounts that had received at least two NSF notices. The 6 agents, collectively, owe the District more than $103,000. The examination revealed that three of the agents' terminals had not been deactivated and the licenses had not been revoked. In addition, we found that the Lottery Board's follow-up consisted of sending notification letters asking for repayment of delinquent

EXHIBITS

Exhibit 1: Management Alert Report Regarding Recommendations Issued to the Lottery Board

amounts identified. For these six agents only one, as required, had been referred to the Department of Justice (DOJ) for criminal prosecution.

The agent referred to the DOJ reached a plea agreement with a Magistrate Judge, on June 3, 1996, to pay a lump sum of $30,000 and monthly payments of $600 to settle monies due the Lottery Board of $74,337. A June 3, 1996, letter from the United States Attorney advised the Lottery Board to immediately notify the court if the agent failed to make payments as required by the court order so that immediate action could be taken. The agent defaulted in August 1998 and is currently $16,100 in arrears. Our review of that file indicated that the DOJ was never notified of the default. The case file contained a letter to the agent dated November 14, 2000, reminding the agent of his monthly obligation. This letter was not signed.

The following provides details for two of the six agents' accounts.

One agent received ten notices of NSF and has not had his license revoked. This agent had been contacted by letter only twice by Lottery Board officials advising the agent of NSF notices and requesting payment for amounts due. A site visit during our follow-up audit showed that this agent was still selling lottery tickets. As of December 31, 2000, this agent owes $21,173.

The other agent received 15 NSF notices (8 were attributed to bank errors). The agent's license should have been revoked on January 6, 2000, but instead, the agent was allowed to continue to sell lottery tickets. Subsequent to January 6, 2000, the agent had five additional NSF notices. However, the number of NSF notices entered on the tracking form was continuously entered as only two. Despite the number of NSF notices, the agent's license was not revoked until August 16, 2000. As of September 30, 2000, the agent owes in excess of $6,400.

We did note the Executive Director, on August 30, 2000, and again on September 18, 2000, requested that the D.C. Corporation Counsel grant permission for an attorney with the Lottery Board to be appointed as Special Assistant Corporation Counsel. This attorney would handle necessary court filings under the supervision of the appropriate Section Chief of the Office of Corporation Counsel to aide in the recovery of monies due from agents in NSF status.

We also noted that the Lottery Board established procedures to participate in a General Services Administration schedule contract with a collection agency several years ago. However, it was apparent that the contract, especially useful in "skip tracing" individuals who had gone out of business, was never used.

Although not discussed in our prior report, the current review disclosed that many lottery agents failed to make weekly bank deposits for the correct amount of funds due from sales of instant (scratch-off) tickets. We also noted that the Lottery Board had not developed collection procedures for delinquent accounts resulting from the sale of instant tickets. Furthermore, terminal deactivations do not curtail the sale of instant tickets. Allowing agents to sell instant tickets while their terminals are deactivated or when they are in delinquent status may compound the loss of revenue to the District.

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OPEN RECOMMENDATION

5. We recommend that the Executive Director, D.C. Lottery Board, take action to ensure that terminals are immediately deactivated upon the notification of NSF.

NEW RECOMMENDATIONS

We recommend that the Executive Director, D.C. Lottery Board:

6. Develop and implement written procedures that require the referral of all delinquent agent accounts to the Office of Corporation Counsel for criminal and/or civil prosecution, as appropriate, until such time that the Corporation Counsel may designate an attorney of the D.C. Lottery Board as a Special Assistant Corporation Counsel.

7. Develop and implement written collection procedures for sales of instant lottery tickets; particularly, in instances in which the agent is delinquent in either on-line or instant ticket sales.

EXHIBITS

Exhibit 1: Management Alert Report Regarding Recommendations Issued to the Lottery Board

ORIGINAL FINDING 3: Improvements Needed in Financing, Licensing, and Security Processes

In our FY 1998 report, we identified three areas in which improvements were needed to ensure that adequate controls were established and implemented to account for and properly safeguard revenues from lottery ticket sales. Our current follow-up review identified three areas in which improvements are still needed. They are discussed below.

Computer Applications and Software

In our FY 1998 audit, we reported that the Lottery Board's use of spreadsheets and manual sub-ledgers to track agents' accounts was time consuming and unreliable. We recommended that the Lottery Board ensure the installation of an automated agent ledger system as expeditiously as possible.

In its response to our report, the Lottery Board concurred with our findings and recommendations and asserted that:

1. A new automated financial accounting software package had been installed,
2. A final testing of the system was scheduled for September or early October 1998, and
3. The software is to interface with both the gaming contractor and the System of Accounting and Reporting (SOAR).

Our current review disclosed that the Lottery Board did not implement a computerized software system as previously reported and did not have databases that would record gaming transactions. Lottery Board officials stated that the implementation of these systems had been postponed due to the implementation of the District's new financial accounting management software. Additionally, the new software would produce financial statements and include necessary interfaces to and from the Lottery Board's new financial accounting system to the District's SOAR

The need for an automated computer software system to reconcile account balances became apparent during our review. In particular, we reviewed aging reports for agents' account receivable balances for FYs 1999 and 2000 and noted that for both years "forced" entries were needed to balance the accounts. The aging report for FY 1999 was out of balance by $39,833.79, and the aging report for FY 2000 was out of balance by $28,937.34. Lottery officials established a variance account to force-balance the accounts for each of these years, but did not have an explanation for their use of these variance accounts.

EXHIBITS

Exhibit 1: Management Alert Report Regarding Recommendations Issued to the Lottery Board

OPEN RECOMMENDATION

8. We recommend that the Executive Director, D.C. Lottery Board, take actions to ensure that the installation of the new financial accounting system is completed and provide information as to related timelines and milestones to the OIG

Bonding Requirements

In our FY 1998 audit, we noted inadequate bonding requirements for the Lottery Board's agents. The District does not use a private company for bonding lottery agents. Instead, the Lottery Board has established a Trust Fund with the District, which is used to insure the agents.

Title 30 DCMR § 302.1 states, "Before the license is issued and an on-line computer terminal is assigned, the Agency shall require each agent to be bonded in an amount determined by the Agency so as to avoid any monetary loss to the District resulting from the sale of lottery tickets."

We recommended that a bonding contract be obtained and the agents be required to pay the premium. A private bonding company may improve collection of accounts receivable, help to reduce the number of delinquent accounts, and discourage NSFs and thefts.

In its response to our report, the Lottery Board disagreed with our findings and recommendation and claimed that:

1. The bond contracts between the Lottery Board and the agents were valid, and

2 Claims against the bonds were routinely made up to the amount of the bond.

Lottery Board officials stated that they believed many agents could not afford self-bonding insurance. In an effort to ensure full coverage of all agents, the Lottery Board imposed an annual fee of $250 per agent. These funds are deposited with the District as a Trust Fund and maintained as a form of self-insurance. In return, the agents are provided a license, which shows a bond amount of $25,000, signifying that the Lottery Board has bond insurance coverage up to that amount on each of its agents.

While this course of action by the Lottery Board has attempted to mitigate losses of lottery ticket sales, we still believe that an outside bonding agency would provide more aggressive action against delinquent agents and thus be more successful in obtaining payments on delinquent accounts. Otherwise, the Lottery Board needs to initiate criminal action against agents for nonpayment.

Our review demonstrates that the Lottery Board has not aggressively pursued delinquent agents. Our follow-up audit showed that the Lottery Board wrote-off as uncollectible 155 agent accounts, valued at approximately $500,000. Lottery Board officials were not able to provide us with any justification to support these write-offs. Additionally, we noted that steps were not taken to recover any of these funds. Specifically, the accounts were not adequately reviewed to

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ensure that all necessary collection procedures had been exhausted and applicable cases were forwarded to the DOJ for criminal and/or civil proceedings.

In response to the issue of cost of a private bonding company, we contacted a representative from the Virginia Lottery and were informed that the Virginia Lottery had negotiated a contract with a private insurance company that bonded all Virginia lottery agents. The annual insurance cost for each agent was $25 for a policy that provided $10,000 of coverage, or a tenth of the cost currently being paid by the District's lottery agents.

OPEN RECOMMENDATION

9. We recommend that the Executive Director, D.C. Lottery Board, take the necessary action to obtain a bonding contract with a private company and require its agents to pay the premiums.

NEW RECOMMENDATION

10. Refer the $500,000 written off as bad debts to the DOJ for civil and/or criminal proceedings, as appropriate.

Casualty Insurance

In our FY 1998 audit, we reported that agents were not providing proof of casualty insurance to cover the cost of Lottery Board property in their possession.

Title 30 DCMR § 308.1(w) states that the Lottery Board should "[p]rovide a certificate of insurance which indicates that the agent has and maintains casualty insurance, approved by the Agency, to cover the cost of replacement of the on-line computer terminal and Agency property assigned to the agent. . . ."

We recommended that the Lottery Board take action to require that its agents provide proof of casualty insurance coverage. However, the Lottery Board did not provide a response to our findings and recommendation on this matter

During our current review, the Lottery Board was not able to provide any documentation to determine whether lottery agents have the required casualty insurance. Lottery Board officials informed us that its Security Department is currently conducting a crime prevention survey to determine which agents have casualty insurance. Therefore, we have concluded the Lottery Board did not implement the recommendation.

OPEN RECOMMENDATION

11. We recommend that the Executive Director, D.C. Lottery Board, take the necessary action to require that its agents provide proof of casualty insurance to cover the cost of replacement of the on-line computer terminal and Agency property assigned to the agents.

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Exhibit 1: Management Alert Report Regarding Recommendations Issued to the Lottery Board

Mr. Anthony S. Cooper
April 3, 2001
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Please provide your comments and responses to the 6 open and 5 new recommendations by April 20, 2001. Your response should include actions taken or planned, target dates for completion of planned actions, and reasons for any disagreements with the issues and recommendations. You may suggest alternative actions that would resolve the conditions disclosed in this report.

Our intention is to limit distribution of this Management Alert Report until the Lottery Board has had the opportunity to comment. Therefore, please circulate the report only to those personnel who will be directly involved in preparing your response.

We appreciate the cooperation and courtesies of the Lottery Board and the facilities made available to us during the audit. Should you have questions or desire an exit conference prior to preparing your response, please call me or William J. DiVello, Assistant Inspector General for Audits, at 727-2540.

Sincerely,

Charles C. Maddox

Charles C. Maddox, Esq.
Inspector General

CM/cj

cc: The Honorable Anthony A. Williams, Mayor of the District of Columbia
Dr. Abdusalam Omer, Chief of Staff
John A. Koskinen, Deputy Mayor and City Administrator

EXHIBITS

Exhibit 2: Management Alert Report Regarding Recommendations Issued to DCPS

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General

May 21, 2001

Paul L. Vance
Superintendent
District of Columbia Public Schools
825 North Capitol Street, N.E., 9th Floor
Washington, D.C. 20002

Dear Dr. Vance:

The purpose of this Management Alert Report (MAR 01-A-12) is to inform you that actions taken by the District of Columbia Public Schools (DCPS) to correct deficiencies previously reported by the District of Columbia Office of the Inspector General (OIG) were not always adequate. This Management Alert Report is the fourth issued in connection with our ongoing review of District Agencies' Implementation of Audit Recommendations (Project No. OIG 01-1-1MA).

Pursuant to the Office of the Inspector General Powers and Duties Amendment Act of 1999, D.C. Law 13-71, the OIG is required to report annually the status of recommendations previously reported, on which corrective action has not been completed. In order to assess the actions taken by agency management in response to previously reported deficiencies, the OIG is conducting a District-wide audit of agencies' implementation of recommendations from previous audit reports. The overall objectives of this review are to determine whether agencies have: (1) implemented agreed-to recommendations that were intended to correct reported deficiencies and (2) actually corrected reported deficiencies.

Status of Prior Audits. We reviewed six audit reports issued by the OIG to DCPS during fiscal years (FY) 1998 through 2000, and one report issued by the General Accounting Office (GAO) to DCPS in FY 1998. In total, the reports contained 54 recommendations. During our current follow-up at DCPS we found that DCPS had taken sufficient action to address 51 of 54 recommendations made. A discussion of the original audit report, the three remaining recommendations, and the results of our follow-up review follows.

Unemployment Compensation Payments to District of Columbia Government Employees (OIG Report No. 6-99-CF-9920) issued on September 10, 1999. The objectives of the audit were to determine whether the District: (1) provided unemployment benefits only to eligible beneficiaries and (2) efficiently managed the Unemployment Compensation Fund.

717 14th Street, N.W., Washington, D.C. 20005 (202) 727-2540

EXHIBITS

Exhibit 2: Management Alert Report Regarding Recommendations Issued to DCPS

MAR 01-A-12
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The original audit disclosed that DCPS had not established the necessary controls to prevent summer unemployment benefit payments to ineligible employees. Specifically, DCPS had not established the policies and procedures needed to implement the "reasonable assurance" provisions cited in the D.C. Code § 46-110 (7). As a result, the District paid unemployment benefits to questionable beneficiaries.

We recommended that DCPS develop policies and procedures for defining "reasonable assurance" and for implementing the provisions of D. C. Code 46-110 (7). We also recommended that DCPS provide the Department of Employment Services (DOES) with the names of educational aides having a reasonable assurance of returning the next school year and making them ineligible for summer unemployment benefits. Finally, we recommended that DCPS monitor employees who receive unemployment benefits.

In its response to our original report, DCPS concurred with our findings and cited actions planned to implement the related recommendations.

Status of Recommendations. Our follow-up review showed that DCPS did not take the actions it agreed to accomplish; therefore, the deficiencies cited in the report remain. As a result, we estimate that unemployment benefit payments, in excess of $700,000, were made to ineligible beneficiaries during FY 2000.

During our current audit, DCPS officials indicated their intent to send a directive to each school prior to the end of the 2000-2001 school year, requesting a comprehensive list of employees expected to return for the school year 2001-2002. DCPS further indicated that the information would be provided to DOES.

While these actions are necessary, they will not adequately address the open recommendations. As such, we are again making the following recommendations.

We recommend that the Superintendent of DCPS:

1. Develop policies and procedures for defining "reasonable assurance" and for implementing the provision of D.C. Code § 46-110 (7).

2. Annually provide DOES the names of education aides with high performance ratings and having a reasonable assurance of returning the next year, thereby rendering them ineligible to receive summer unemployment benefits.

3. Coordinate actions with the D.C. Office of Personnel, Unemployment Compensation Unit, to monitor DCPS employees who are receiving unemployment compensation to ensure that these employees are following the provisions of D. C. Code § 46-110 (7).

EXHIBITS

Exhibit 2: Management Alert Report Regarding Recommendations Issued to DCPS

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Closing. Please provide your comments to the recommendations by May 31, 2001. Your response should include actions taken or planned, target dates for completion of planned actions, and reasons for any disagreements with the issues and recommendations. You may suggest alternative actions that would resolve the conditions disclosed in this report.

Our intention is to limit distribution of this Management Alert Report until DCPS officials have had the opportunity to comment. Therefore, please circulate the report only to those personnel who will be directly involved in preparing your response.

We appreciate the cooperation and courtesies of DCPS personnel and the facilities made available to us during the audit. Should you have questions concerning this report, or desire an exit conference prior to preparing your response, please call me or William J. DiVello, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

Charles C. Maddox, Esq.
Inspector General

CM/wms

cc: The Honorable Anthony A. Williams, Mayor of the District of Columbia
Mr. John A. Koskinen, Deputy Mayor and City Administrator

EXHIBITS

Exhibit 3: Management Alert Report Regarding Recommendations Issued to OFRM

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General

June 27, 2001

Natwar M. Gandhi
Chief Financial Officer
One Judiciary Square
441 4th Street, N.W., Suite 1150
Washington, D.C. 20001

Dear Dr. Gandhi:

The purpose of this Management Alert Report (MAR 01-A-14) is to inform you that actions taken by the District of Columbia Office of Finance and Resource Management (OFRM), to correct deficiencies previously reported by the Office of the Inspector General (OIG) were not always sufficient. Specifically, we found that OFRM had taken sufficient action to address six of the eight recommendations made. This Management Alert Report (MAR) is the fifth issued in connection with our ongoing review of District Agencies' Implementation of Audit Recommendations (Project No. OIG 01-1-1MA). Additional MARs are anticipated to report interim results as audit work is completed at different agencies

Pursuant to the Office of the Inspector General Powers and Duties Amendment Act of 1999, D.C. Law 13-71, the OIG is required to report annually the status of previously-reported recommendations on which corrective action has not been completed. In order to assess the actions taken by agency management in response to previously reported deficiencies, the OIG is conducting a District-wide audit of agencies' implementation of recommendations from previous audit reports. The overall objectives of this review are to determine whether agencies have: (1) implemented agreed-to recommendations that were intended to correct reported deficiencies and (2) actually corrected reported deficiencies.

Status of Prior Audits. During fiscal years 1998 and 1999, we completed two audits at OFRM, with the following objectives:

Review of Controls Over the Telecommunications System Within the Government of the District of Columbia (OIG No. 9830-09) issued on September 28, 1998. The objectives of the review were to determine if (1) the District's telecommunications system possessed adequate internal controls to ensure that payments for telecommunications services were for valid services received, (2) internal controls were adequate to prevent or detect unauthorized usage and employee abuse, and (3) the telecommunications lines and equipment were adequately managed.

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EXHIBITS

Exhibit 3: Management Alert Report Regarding Recommendations Issued to OFRM

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Controls Required to Identify Unneeded Telephone Lines and to Eliminate Unauthorized Telephone Charges (OIG No. 9839-81-9911) issued on February 11, 1999. The objectives of the audit were to determine if controls were established to identify and remove unneeded telephone lines, and to identify and recover unauthorized telecommunication charges by third party billing agencies and carriers.

The two original audits disclosed inadequate internal controls at OFRM over the budget and payment processes for telecommunication services. As a result, we were unable to identify the telecommunication expenditures by categories, i.e., voice services, data services, equipment purchases, and maintenance services etc., because the District's Financial Management System (FMS) did not provide for postings by service categories. Instead, all telecommunication expenditures were accounted for in the FMS Object Class 308 account, titled "Telephone & Etc." Consequently, an accurate budget for the District's telecommunications expenditures could not be prepared (by OFRM) because the expenditures were not separated by cost categories.

The original audits also disclosed that the District paid more than $30,000 of unauthorized service charges over an 8-month period. The unauthorized charges were for service charges, voice mail fees, access fees, and minimum use fees. These charges were for optional services that were not authorized, and were passed on by the vendor to the District for billing services from other telecommunication vendors.

We recommended that OFRM request that a modification to the FMS (now replaced by the System of Accounting and Reporting) be made to allow for postings of the components that make up the expenditures. We also recommended that OFRM take steps to recover the cost of unauthorized service charges identified in our report, which were billed to and paid for by the District.

In its response to our report, OFRM concurred with our findings and cited actions planned to implement the related recommendations.

Status of Recommendations. Our follow-up review showed that OFRM did not implement all of the recommendations as agreed upon; therefore, additional measures are needed to fully implement all of the recommendations. We found that Object Class 308, now titled "Telecommunication Expenditures," was modified and a more detailed accounting structure was established. However, the modifications did not allow for separation of expenditures relating to telecommunications equipment purchases.

During our current audit, OFRM officials informed us that although expenditures for equipment are lumped in with other expenditures for telecommunication services, the modification of Object Class 308 was adequate and properly made. However, we believe that expenditures for telecommunication equipment should be tracked and recorded separately.

In addition, OFRM did not recover the $30,000 of unauthorized service charges discussed in our original audit report. Instead, for cost benefit reasons, OFRM established new procedures to prevent further occurrences.

EXHIBITS

Exhibit 3: Management Alert Report Regarding Recommendations Issued to OFRM

MAR 01-A-14
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We recommend that the Chief Financial Officer:

1. Modify Object Class 308 to separate expenditures related to telecommunication equipment purchases from other telecommunication expenditures.

2. Provide the OIG documentation supporting the cost/benefit rationale not to pursue the $30,000 overcharge.

Closing. Please provide your response to this report and the recommendations by July 6, 2001. Your response should include actions taken or planned, target dates for completion of planned actions, and reasons for any disagreements with the issues and recommendations. You may suggest alternative actions that would resolve the conditions disclosed in this report.

Our intention is to limit distribution of this Management Alert Report until OFRM officials have the opportunity to comment. Therefore, please circulate the report only to those personnel who will be directly involved in preparing your response.

We appreciate the cooperation and courtesies of OFRM personnel and the facilities made available to us during the audit. Should you have questions concerning this report, or desire an exit conference prior to preparing your response, please call me or William J. DiVello, Assistant Inspector General for Audits, at 727-2540.

Sincerely,

Charles C. Maddox, Esq.
Inspector General

CM/wms

cc: The Honorable Anthony A. Williams, Mayor of the District of Columbia
Mr. John A. Koskinen, Deputy Mayor and City Administrator
Ms. Barbara Jumper, Deputy Chief Financial Officer

EXHIBITS

Exhibit 4: Management Alert Report Regarding Recommendations Issued to DHCD

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General

June 27, 2001

Milton Bailey
Director
Department of Housing and Community Development
801 North Capitol Street, N.W.
Washington, D.C. 20002

Dear Mr. Bailey

The purpose of this Management Alert Report (MAR 01-A-16) is to inform you that the actions taken by the Department of Housing and Community Development (DHCD) to correct deficiencies previously reported by the Office of the Inspector General (OIG) were not always adequate. This Management Alert Report (MAR) is the sixth issued in connection with our ongoing review of District Agencies' Implementation of Audit Recommendations (Project No. OIG 01-1-1MA). Additional MARs are anticipated to report interim results as audit work is completed at different agencies.

Pursuant to the Office of the Inspector General Powers and Duties Amendment Act of 1999, D.C. Law 13-71, the OIG is required to report annually the status of recommendations previously reported on which corrective action has not been completed. In order to assess the actions taken by agency management in response to previously reported deficiencies, the OIG is conducting a District-wide audit of agencies' implementation of recommendations from previous audit reports. The overall objectives of this review are to determine whether agencies have: (1) implemented agreed to recommendations that were intended to correct reported deficiencies and (2) actually corrected reported deficiencies.

Original Audit Results. On February 22, 2000, we issued an audit report to DHCD entitled, ***"Audit of the Department of Housing and Community Development's Management of Funds Provided to Community Development Corporations" (OIG Report No. 11-99CD),*** on its management of $150 million of Community Development Block Grant funds during the 6-year period that ended with fiscal year 1999.

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EXHIBITS

Exhibit 4: Management Alert Report Regarding Recommendations Issued to DHCD

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Our audit revealed that DHCD needed to:

- manage its funds more effectively and establish a performance measurement system;
- monitor projects and account for the funds used for administratively funded projects;
- account for $11,745,000 in expenditures for two projects;
- ensure controls are improved over conflict of interest at Community Development Corporations (CDCs);
- improve records management and locate missing records for Community Development Block Grant efforts, totaling $7,321,282; and
- improve its internal auditing function to comply with government auditing standards and allocate audit resources to areas with higher risk to fraud, waste, and mismanagement.

We directed 23 recommendations to the Director of DHCD, which were necessary to correct the deficiencies noted in the 9 findings included in the report. The recommendations, in part, centered on:

- establishing a strategic plan that outlines specific improvements that DHCD will commit to over the period and that incorporates a performance measurement system for projects;
- developing, documenting, and implementing procedures and controls to ensure projects are monitored;
- establishing a continuing program to achieve efficient and economical records management so that users have ready access to documentation of the DHCD organization, functions, policies, decisions, procedures, and essential transactions; and
- establishing procedures and controls that ensure DHCD awards its grants and subgrants with provisions requiring CDCs and other grant and subgrant recipients to track administrative costs by project.

Follow-up Audit Results. During our follow-up review, we found that DHCD had taken sufficient action to address 21 of 23 recommendations made in the original report. For example, DHCD established a strategic plan that outlines specific improvements that DHCD will commit to, and implemented procedures for monitoring the progress of community development projects. DHCD also established requirements for CDCs to track administrative costs tied to projects and to other activities funded by administrative subgrants.

However, two of the recommendations remain unresolved. In the original audit report, we recommended that the Director of DHCD realign the Internal Audit Division within its Office of the Chief Operating Officer. DHCD responded that they did not have authority to implement our recommendation, without the approval of the District of

EXHIBITS

Exhibit 4: Management Alert Report Regarding Recommendations Issued to DHCD

Columbia, Chief Financial Officer (CFO). DHCD is currently waiting for a response from the CFO.

Additionally, for a second recommendation, DHCD could not provide us sufficient documentation to support all disbursements made for the New York Avenue Metrorail Feasibility Station Study. DHCD has requested additional time to provide documents that support the expenditures totaling $350,000 for the project.

Recommendations. We recommend that the Director of DHCD:

1. Provide the OIG with the response from the CFO regarding the recommendation to realign the Internal Audit Division within the Office of the Chief Operating Officer.

2. Provide the OIG complete documentation to support all disbursements made for the New York Avenue Metrorail Feasibility Station Study.

Closing. Please provide your response to this report and the recommendations by July 6, 2001. Your response should include actions taken or planned, target dates for completion of planned actions, and reasons for any disagreements with the issues and recommendations. You may suggest alternative actions that would resolve the conditions disclosed in this report.

Our intention is to limit distribution of this Management Alert Report until DHCD has had the opportunity to comment. Therefore, please circulate the report only to those personnel who will be directly involved in preparing your response.

We appreciate the cooperation and courtesies of DHCD personnel and the facilities made available to us during the audit. The timely actions taken by DHCD to implement our recommendations are noteworthy. Should you have questions concerning this report or desire an exit conference prior to preparing your response, please call me or William J. DiVello, Assistant Inspector General for Audits, at 202-727-2540.

Sincerely,

Charles C. Maddox, Esq.
Inspector General

CM/wms

cc: The Honorable Anthony A. Williams, Mayor of the District of Columbia
Mr. John A. Koskinen, Deputy Mayor and City Administrator

EXHIBITS

Exhibit 5: Management Alert Report Regarding Recommendations Issued to UDC

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General

August 8, 2001

Timothy L. Jenkins
Interim President
University of the District of Columbia
4200 Connecticut Avenue, N.W.
Washington, D.C. 20008

Dear President Jenkins:

The purpose of this Management Alert Report (MAR 01-A-13) is to inform you that actions taken by the University of the District of Columbia (UDC) to correct deficiencies previously reported by the District of Columbia Office of the Inspector General (OIG) were not always adequate. This Management Alert Report (MAR) is the seventh issued in connection with our ongoing review of District Agencies' Implementation of Audit Recommendations (Project No. OIG 01-1-1MA). Additional MARs are anticipated to report interim results as audit work is completed at different agencies.

Pursuant to D.C.Code, 2001 Ed.§ 2-302.08 (f-2) (6), the OIG is required to report annually the status of recommendations previously reported on which corrective action has not been completed. In order to assess the actions taken by agency management in response to previously reported deficiencies, the OIG is conducting a District-wide audit of agencies' implementation of recommendations from previous audit reports. The overall objectives of this review are to determine whether agencies have: 1) implemented agreed-to recommendations that were intended to correct reported deficiencies and 2) actually corrected reported deficiencies.

Status of Prior Audits

During fiscal year 1999, the OIG issued three audit reports on operations at the UDC. In total, these reports contained 24 recommendations. Our follow-up audit determined that the UDC did not implement four of these recommendations. As a result, the UDC continued to incur expenses for unauthorized charges, did not ensure accountability and proper control of revenues, nor did they take advantage of cost savings mechanisms. The table on the following page summarizes prior OIG audit coverage at the UDC. A discussion of the deficiencies that remain uncorrected follows

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Exhibit 5: Management Alert Report Regarding Recommendations Issued to UDC

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Audit Report	Recommendations Made	Recommendations Open
Audit of the University of the District of Columbia's Telephone System (OIG No. 9839-14-99GF-9917) - Issued July 20, 1999	3	2
Report on the Audit of Parking Fee Revenue at the University of the District of Columbia For the Period August 1, 1997 to May 15, 1998 (OIG No. 19-99GF-9919) - Issued July 26, 1999	5	2
Audit of Tuition Collections by the University of the District of Columbia's Division of Continuing Education (OIG-4-99GF-9921) - Issued September 17, 1999	16	0
Total	24	4

Audit of the University of the District of Columbia's Telephone System

The objectives of the audit were to determine whether the UDC: 1) implemented controls to safeguard against irregularities, waste, and mismanagement; 2) managed resources effectively and efficiently; and 3) ensured that its telephone system was Year 2000 compliant.

The original audit disclosed that improvements were needed in documenting administrative controls over the payment, certification, and distribution of telecommunications charges and complying with the Office of the Chief Technology Officer's (OCTO) Federal Telecommunications System (FTS) 2000 initiatives (subsequently upgraded to FTS 2001). Additionally, we determined that UDC was spending more for long distance services under its commercial carrier than those available under the FTS 2000 program.

In its response to our report, dated March 4, 1999, UDC agreed with the findings and recommendations and provided actions it had taken or planned to take to address the recommendations made. During our follow-up audit, we determined that UDC did not implement two of the recommendations. The following is a discussion of the deficiencies surrounding the two recommendations that remain open.

Telecommunications Policies and Procedures for Paying and Certifying Telephone Charges. Our original audit identified that UDC did not document its policies and procedures for the processes and systems used to manage, administer, and operate the telephone system. UDC was unable to provide policies and procedures for the payment of telephone services or for the certification and distribution of telephone services.

EXHIBITS

Exhibit 5: Management Alert Report Regarding Recommendations Issued to UDC

Our follow-up review determined that UDC had not updated its telecommunications policy for paying, certifying, and distributing telephone service charges. Specifically, we identified that UDC paid over $235,000 for telephone services that were either tax-exempt or for services not provided. The excessive payments were made because UDC did not have a clearly defined policy for certifying and distributing telephone charges or notifying service providers of lines no longer needed and because UDC did not adequately review telecommunication billings.

As part of our follow-up audit, we reviewed telephone charges for selected months. We identified that UDC was billed under 18 separate telephone accounts for network access lines, intrastate carrier lines, interstate carrier lines, and equipment. We selected three accounts for review, which are detailed below:

- *Tax-Exempt Charges Account 202 274 5000.* UDC telecommunications charges for the month of December 2000 for this account totaled $27,402. The billing included monthly charges for multiple lines and long distance calls. Included in the monthly bill was a charge of $2,112.22 for Gross Receipts Tax Surcharge (GRTS) and Federal Universal Service Fund Charge. D. C. Code, 2001 Ed. § 47-2005(1) provides that UDC, as a government agency, is exempt from taxes. UDC also paid GRTS on all of the remaining 17 accounts, for a total of $2,712 per month. At the OIG's request, the telecommunications manager contacted the service provider. The service provider indicated that UDC could request a refund for the past 5 years, or $162,739 ($2,712 times 12 months times 5 years).

- *Account 00000171254965-800 Mount Vernon Place.* UDC abandoned the Mount Vernon property in 1993. However, UDC did not notify the service provider and paid monthly telephone charges incurred by an unknown party at the Mount Vernon location for the past 8 years. Average monthly charges for the period July 1998 through August 2000 were $287. Estimated charges for the 8 years were $27,600 (96 times $287). At the auditor's request, the telecommunications manager contacted the telecommunications provider and indicated UDC would initiate a request to discontinue the service and to initiate efforts to have the charges re-billed to the correct party and receive reimbursement for the overpayment of $27,600.

- *Account 011 031-4796-001 International Calling Service.* UDC was billed under this account for approximately 100 telephone lines at an average cost of $1,300 per month. Our review of the charges under this account indicated the charges were for cable lines that did not belong to UDC. The cable lines provided telecommunications services to an embassy, a federal agency, a state agency and several small local businesses. We contacted the telecommunications provider and determined that the cable lines had been established in September 1997 and that UDC had erroneously been identified as the billing recipient. The billing error had gone undetected for the past 3.5 years. During this time, we estimate that UDC paid in excess of $45,000 in erroneous telephone charges. UDC's telecommunications manager stated that a request would be processed to discontinue the telephone lines and, in coordination with the telecommunications provider, the charges would be billed back to the call originator.

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Exhibit 5: Management Alert Report Regarding Recommendations Issued to UDC

Complying with the Office of the Chief Technology's Officer's (OCTO) Initiatives on Commercial Long Distance Services. In our original report, we determined that UDC was using commercial long distance services instead of the FTS 2000 program. As a result, the UDC paid more per minute for commercial long distance services than those available under FTS 2000. In its response to our original report, UDC indicated that FTS should only be implemented if it was determined to be cost effective and was billed on a prorated basis or did not include any management or administrative fees.

Our current review disclosed that UDC still had not converted its commercial long distance services to the FTS program. Based on discussions with the UDC telecommunications manager, UDC's current monthly long distance charges under its commercial provider averages about $3,000 per month, from $.07 to $.15 per minute (average of $.10 per minute). Under the FTS program those same costs would be reduced to $.027 per minute or about a third, an estimated savings of about $2,000 per month ($24,000 per year). Additionally, UDC's telecommunications manager, at our request, telephoned the Deputy Chief Technology Officer who advised him that user fees or other administrative costs are not assessed under the FTS 2001 program.

Recommendations

We recommend that the President of UDC:

1. Develop and implement telecommunications policies and procedures for paying, certifying, and distributing telephone charges;

2. Initiate a refund request from the telecommunications service provider for any exempt taxes paid;

3. Discontinue telecommunications services at the Mount Vernon location and for the International Calling Service and seek reimbursement for improper charges identified in this report; and

4. Convert the UDC commercial long distance services to the FTS program.

EXHIBITS

Exhibit 5: Management Alert Report Regarding Recommendations Issued to UDC

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Report on the Audit of Parking Fee Revenue at the University of the District of Columbia

The objectives of this audit were to evaluate and document parking fee collections and to determine whether internal controls over collections were adequate at the UDC Van Ness Campus parking garage. In its response to our report, dated July 15, 1999, UDC agreed with the findings and recommendations and provided actions it had taken or planned to address the recommendations made. During our follow-up audit, we determined that UDC did not implement two of those recommendations. The following is a discussion of the deficiencies surrounding the two recommendations which remain open.

Security Measures for Safeguarding Parking Lot Revenues. We previously recommended that UDC initiate effective security measures to ensure the adequate safeguarding of cash collections against loss, misuse, or theft. UDC officials responded that they would take the following actions to correct the noted deficiencies:

1. Purchase a new fire proof safe and control access to the safe/combination;

2. Purchase and install an automatic gate that would count vehicles, generate tickets, and monitor cash received.

Our follow-up audit determined that UDC did not complete these action items and did not perform alternative actions to resolve the original deficiency.

Additionally, as part of our follow-up audit, we scheduled and analyzed revenues from daily parking tickets issued between April 2000 and January 2001. Our analysis indicated significant unexplained fluctuations of up to 46 percent in daily revenues as summarized in the following schedule:

DATES		REVENUES		
From	To	From	To	Percent
4/6/00	4/7/00	$1,638	$ 998	39%
4/20/00	4/21/00	$1,411	$ 900	36%
5/26/00	5/29/00	$1,285	$ 714	44%
8/24/00	8/25/00	$2,062	$1,236	40%
8/31/00	9/1/00	$1,967	$1,117	43%
9/7/00	9/8/00	$2,188	$1,274	42%
9/15/00	9/18/00	$2,107	$1,257	40%
9/21/00	9/22/00	$1,932	$1,096	43%
9/28/00	9/29/00	$1,971	$1,127	43%
10/13/00	10/16/00	$1,047	$ 564	46%
10/19/00	10/20/00	$1,722	$1,092	37%

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Exhibit 5: Management Alert Report Regarding Recommendations Issued to UDC

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The above fluctuations in revenues call into question the accuracy of the reported revenue collections. Based on past garage usage, one would expect revenues to be relatively constant

Monitoring the Activities of Parking Lot Personnel. Our original audit determined that UDC did not adequately monitor the activities of the parking lot personnel. Our follow-up review again concluded that UDC did not adequately monitor or manage parking garage attendants. For example, for each of the five Fridays during September 2000, UDC lost potential parking lot revenues because the afternoon attendant was not on duty. For the 10–month period ending January 30, 2001, we noted over 50 instances where only one of the two daily attendants was on duty and the parking booth was unattended for either the entire morning or afternoon shift. During our audit we also noted that attendants, while on duty, left the booth unattended, and cars passed the booth without paying the parking fee. On one occasion, the OIG paid the parking fee but the attendant did not provide a pre-numbered parking ticket.

During our follow-up audit, we learned that UDC officials contracted with an outside consulting firm to assess UDC's actions to correct the deficiencies contained in our report. The consulting firm concluded that our prior audit recommendations had not been implemented. The consultant generally concluded that: 1) receipts/collections from the UDC parking garage could be understated by thousands of dollars because there are no internal management controls and inadequate supervisory oversight over parking attendant operations; 2) the adequacy of the financial reporting for the parking system facilities cannot be relied on because of the lack of internal management controls; and 3) the adequacy of the collection procedures and overall fund control and reporting are lacking for the parking system facilities because there are no internal management control procedures for the handling of cash. Our follow-up audit indicated that UDC did not:

- perform on-site monitoring of parking lot personnel three times a day, or at any time during the day;
- implement a new parking garage operating procedure to monitor personnel and ensure that all revenues are collected;
- subject parking activities to internal audits without prior notification to staff
- hire additional parking lot monitors; and
- assess whether to continue the individuals in their present position or to transfer all existing monitors to other positions within the University

Recommendations

We recommend that the President of UDC:

1. Initiate effective security measures to ensure the adequate safeguarding of cash collections against loss, misuse, or theft and

2. Monitor the activities of the parking lot personnel to ensure that revenues from parking lot fees are collected and that facility maintenance personnel are onsite and performing their duties.

EXHIBITS

Exhibit 5: Management Alert Report Regarding Recommendations Issued to UDC

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Audit of Tuition Collections by the University of the District of Columbia's Division of Continuing Education

The audit objective was to evaluate the adequacy of internal controls for the collection and handling of continuing education tuition fees. The report contained 16 recommendations aimed at improving those internal controls. During our follow-up audit at UDC, we found that UDC had taken sufficient action to correct the deficiencies cited in the report.

Closing

Please provide your comments and responses to the recommendations by August 15, 2001. Your response should include actions taken or planned, target dates for completion of planned actions, and reasons for any disagreements with the issues and recommendations. You may suggest alternative actions that would resolve the conditions disclosed in this report.

Our intention is to limit distribution of this Management Alert Report until UDC officials have the opportunity to comment. Therefore, please circulate it only to those personnel who will be directly involved in preparing your response.

We appreciate the cooperation and courtesies of UDC personnel and the facilities made available to us during the audit. Should you have questions concerning this report, please call me or William J. DiVello, Assistant Inspector General for Audits, at 727-2540.

Sincerely,

Charles C. Maddox, Esq.
Inspector General

CM/wms

cc: The Honorable Anthony A. Williams, Mayor, District of Columbia
Mr. John A. Koskinen, Deputy Mayor and City Administrator

EXHIBITS

Exhibit 6: Management Alert Report Regarding Recommendations Issued to DOC

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General

April 25, 2001

Odie Washington, Director
Department of Corrections
1923 Vermont Avenue, N.W., Room N 203
Washington, D.C. 20001

Dear Mr. Washington:

The purpose of this Management Alert Report (MAR 01-A-08) is to inform you that actions taken by the District of Columbia Department of Corrections (DOC) to correct deficiencies previously reported by the Office of the Inspector General (OIG) were not always adequate. This Management Alert Report (MAR) is the third issued in connection with our ongoing review of District Agencies' Implementation of Audit Recommendations (Project No. OIG 01-I-1MA). Additional MARs are anticipated to report interim results as audit work is completed at different agencies.

Pursuant to the Office of the Inspector General Powers and Duties Amendment Act of 1999, D.C. Law 13-71, the OIG is required to report annually the status of recommendations previously reported on which corrective action has not been completed. In order to assess the actions taken by agency management in response to previously reported deficiencies, the OIG is conducting a District-wide audit of agencies' implementation of recommendations from previous audit reports. The overall objectives of this review are to determine whether agencies have: (1) implemented agreed-to recommendations that were intended to correct reported deficiencies and (2) actually corrected reported deficiencies.

Status of Prior Audits. During fiscal year 1998, we completed three audits at DOC, all with different objectives.

Report on the Review of Overtime Claimed by Employees of the Department of Corrections' Work Programs, (OIG No. 9812-03), issued November 18, 1997. The objective of this review was to determine whether overtime claimed was properly authorized, accurately reported, and actually worked. The report contained 13 recommendations aimed at correcting the reported deficiencies. During our follow-up at DOC, we found that DOC had taken sufficient action to correct the deficiencies cited in the report.

Cash Verifications of the DOC Imprest Funds, (OIG No. 9810-04), issued December 19, 1997. The objective of the cash verifications was to determine whether controls over imprest funds were adequate. The report contained six recommendations designed to improve control and accountability over the funds. During our follow-up at DOC, we found that DOC had taken sufficient action to improve control and accountability over the funds.

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Audit of the D.C. Department of Corrections Inmate Trust Fund, (OIG No. 9763-35), issued, August 6, 1998. The objectives of the audit were to: (1) determine whether inmate funds were transferred to the District of Columbia General Fund to be used for other purposes as appropriate, (2) determine whether there were unjustified delays in the processing of inmate disbursement requests requiring the purchase of money orders, and (3) assess the adequacy of DOC's internal controls relative to the receipt and disbursement of inmate funds.

The audit disclosed that DOC did not: (1) comply with the District's Unclaimed Property Act, (2) process inmate disbursement requests in a timely manner, and (3) reconcile daily cash receipts and disbursement journals to monthly transaction reports before posting them to the District's financial accounting system.

Status of Recommendations. Our follow-up review showed actions taken by DOC to correct deficiencies noted in our audit of the D.C. Department of Corrections Inmate Trust Fund were not always adequate. DOC had taken action to adequately address 10 of 21 recommendations made. Additionally, actions on eight other recommendations are no longer necessary due to the passage of the National Capital Revitalization and Self-Government Improvement Act of 1997 and the acquisition and implementation of a new Jail Management System (JMS). Three deficiencies remain uncorrected.

The National Capital Revitalization and Self-Government Improvement Act of 1997 requires the transfer of the adult felon[1] population of the District of Columbia to the Federal Prison System by December 31, 2001. After this date, DOC will no longer be responsible for the custody, care, subsistence, education, treatment, and training of any person convicted of a felony. Therefore, recommendations previously made to annually update forms identifying persons to notify in case of emergency or to notify beneficiaries of inmate funds that have been inactive for more than one year would no longer be necessary.

Prior to October 2000, inmate transactions and account balances were recorded and maintained in a computerized subsidiary system known as JALAN, which has now been replaced by JMS. With the implementation of JMS, controls were established to ensure that all inmates receive funds due at their time of release. The new system provides access to automated account balances and transactions allowing for verification and reconciliation of an inmate's account. This system failure reduces the risk of fraud.

The DOC, Office of the Controller, Inmate Finance Division (IFD) manages the Inmate Trust Fund. The IFD operates essentially as a banking system for funds maintained on behalf of inmates housed in the District's correctional facilities. In keeping with DOC's fiduciary responsibility for inmates' property, IFD processes disbursements for inmate purchases and cash receipts from inmate payroll earnings and other sources. IFD operating guidelines are specified in DOC's Fiscal Policies and Procedures Manual.

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[1] A felon is defined as a person who has committed a crime for which the punishment usually is imprisonment for more than 1 year or death.

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The following is a discussion of the deficiencies surrounding the three recommendations which remain open.

1. Notifications and Transfers of Unclaimed Property

Our FY 1998 audit reported that DOC did not report and transfer the $357,211 held in the General Fund's Unclaimed Inmate Deposits account to the Mayor as required. Additionally, the report concluded that DOC did not clear and transfer inactive inmate account balances, totaling $153,847, to the General Fund's Unclaimed Inmate Deposits account.

At the request of the OIG during our current follow-up audit, DOC took action to transfer the $357,211 held in the General Fund's Unclaimed Inmate Deposits account to the Mayor as required. However, DOC had not taken necessary action to clear and transfer the $153,847 held in inactive inmate accounts. Instead, DOC amassed an additional $76,000 in the inactive inmate accounts. As of December 31, 2000, inactive inmate accounts totaled $229,000.

During 1998, an external accounting firm was hired to reconcile the $153,847 of inactive account balances so that these funds could be properly cleared. Before completion of the reconciliation, contract funds were depleted and work ceased. To date, no additional work has been performed to reconcile inactive account balances. DOC officials plan to request that the Office of the Chief Financial Officer perform a second reconciliation of the inactive account balances. After the reconciliation, DOC officials plan to report any unclaimed balances to the Mayor as unclaimed inmate funds presumed abandoned. The OIG will consider all open recommendations pertaining to this deficiency as closed upon receipt of information showing the proper disposition of the identified inactive inmate account balances.

Recommendation 1. We recommend that the DOC Director provide the OIG, within 120 days from the date of this report, a summary of the findings related to the reconciliation, report, and transfer of unclaimed and inactive funds.

2. Inmate Disbursement Requests

Our FY 1998 audit reported that DOC did not process inmate disbursement requests in a timely manner. Specifically, the processing time for some transactions took as long as 3 months to complete. A limited review of disbursement records, during our follow-up audit, revealed that significant delays for an inmate's disbursement request to reach IFD still occurred. For the month of March 2001, we reviewed 14 transactions, 3 of which took more than 75 days. Moreover, officials at DOC provided us with documents depicting 6 requests that had not been processed for more than 60 days. DOC officials had already begun to investigate these extensive delays before we requested documentation of processing delays for our follow-up review. It is important to note that delays could be caused by factors external to the accounting function. Examples of such factors include inadequate funds in the inmate's account to process the request and ambiguity as to when a particular processing event (inmate request or transfer to the case agent or IFD Depatment) actually occurred.

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DOC officials informed the OIG during our follow-up review that a memo detailing new procedures for handling inmate disbursement requests would be circulated to the case managers. Additional controls would include documenting on the request the date of the initial request and the date at each processing stage. Once this memo is promulgated and received by the OIG, we will recognize this previously reported condition as corrected.

Recommendation 2. We recommend that the DOC Director document procedures for the processing of inmate disbursement requests and provide a copy of this procedure to the OIG.

3. Reconciliation of Inmate Accounting Data

Our 1998 audit report identified that the IFD did not maintain control journals for the posting of cash receipts, payroll earnings, and disbursements recorded in the JALAN. Control journals should be used to reconcile transactions to JALAN and the District's financial accounting system on a periodic basis. A monthly reconciliation of cash receipts and disbursement journals to monthly transaction reports would detect imbalances and prompt corrective action.

In order to address this deficiency, DOC currently requires IFD employees to track daily receipt and disbursement logs of the other IFD employees by way of an electronic spreadsheet. Daily logs are compared with the daily "Deposits/Withdrawals Summary Report" from JMS. Additionally, the IFD Supervisor compares the monthly source documents to the monthly printout from the District's financial accounting system and identifies any discrepancies in the form of a manual reconciliation. DOC continues to establish controls over the reconciliation of inmate accounts and has taken steps to adequately train IFD employees in the use of JMS.

Notwithstanding these controls, DOC needs to document these procedures and provide formal training on JMS. Once these procedures are promulgated, we will recognize this previously reported condition as corrected.

Recommendation 3. We recommend that the DOC Director document procedures for the reconciliation of inmate accounts and provide a copy of this procedure to the OIG.

Closing. Please provide your response to this report and the three recommendations by May 9, 2001. Your response should include actions taken or planned, target dates for completion of planned actions, and reasons for any disagreements with the reported deficiencies. You may suggest alternative actions that would resolve the conditions disclosed in this report.

Our intention is to limit distribution of this Management Alert Report until DOC has had the opportunity to comment. Therefore, please circulate the report only to those personnel who will be directly involved in preparing your response.

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We appreciate the cooperation and courtesies of DOC personnel and the facilities made available to us during the audit. Should you have questions concerning this report or desire an exit conference, please call me or William J. DiVello, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

Charles C. Maddox, Esq.
Inspector General

CM/cj

cc: The Honorable Anthony A. Williams, Mayor of the District of Columbia
Mr. John A. Koskinen, Deputy Mayor and City Administrator

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Exhibit 7: Management Alert Report Regarding Recommendations Issued to OCTO

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General

August 6, 2001

Suzanne J. Peck
Director
Office of the Chief Technology Officer
441 Fourth Street, N.W., Suite 1045
Washington, D.C. 20001

Dear Ms. Peck:

The purpose of this Management Alert Report (MAR-01-A-15) is to inform you that actions taken by the District of Columbia Office of the Chief Technological Officer (OCTO) to correct deficiencies previously reported by the Office of the Inspector General (OIG) were not always adequate. This Management Alert Report (MAR) is the eighth issued in connection with our ongoing review of District Agencies' Implementation of Audit Recommendations (Project No. OIG 01-1-1MA).

Pursuant to the D.C.Code, 2001 Ed.§ 2-302.08 (f-2) (6), the OIG is required to report annually the status of recommendations previously reported on which corrective action has not been completed. In order to assess the actions taken by agency management in response to previously reported deficiencies, the OIG is conducting a District-wide audit of agencies' implementation of recommendations from previous audit reports. The overall objectives of this review are to determine whether agencies have: (1) implemented agreed-to recommendations that were intended to correct reported deficiencies and (2) actually corrected reported deficiencies.

Status of Prior Audits. During fiscal years 1998 and 1999, we completed two audits at OCTO with the following objectives:

Review of Controls Over the Telecommunications System within the Government of the District of Columbia (OIG No. 9830-09) issued on September 28, 1998. The objectives of the review were to determine whether: (1) the District's telecommunications system possessed adequate internal controls to ensure that payments for telecommunications services were for valid services received; (2) internal controls were adequate to prevent or detect unauthorized usage and employee abuse; and (3) the telecommunications lines and equipment were adequately managed.

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Controls Required to Identify Unneeded Telephone Lines and to Eliminate Unauthorized Telephone Charges (OIG No. 9839-81-9911) issued on February 11, 1999. The objectives of the audit were to determine whether controls were established to identify and remove unneeded telephone lines, and to identify and recover unauthorized telecommunication charges by third party billing agencies and carriers.

The two original audits disclosed weaknesses and inefficiencies in the design and operation of the internal controls at OCTO over the District's telecommunications system. The reported findings included:

1. Unutilized telephone lines cost the District over $1.8 million a year;

2. The District inappropriately paid approximately $781,000 in Gross Sales Receipt Tax surcharges; and

3. The District does not maintain an inventory of telephone lines and equipment.

We recommended that all District agencies be required to participate in the Telecommunications Utility Audit Initiative with emphasis on eliminating unneeded telephone lines. Also, we recommended that Gross Sales Receipt Tax surcharges be deducted from telecommunications bills before payment. In addition, we recommended that OCTO issue policies that require periodic analysis of line utilization and have all unneeded lines disconnected. Finally, we recommended that OCTO oversee an inventory of the District's telecommunications equipment and the development of a network diagram of the telecommunications system.

In total, the original reports contained 16 recommendations aimed at correcting the reported deficiencies. In response to our reports, OCTO generally concurred with our findings and cited actions planned to implement the related recommendations.

Status of Recommendations: Our follow-up review disclosed that OCTO had not implemented 4 of the 16 recommendations contained in our prior audit reports. We reviewed the District's monthly telephone bill (called the Power Bill), dated February 4, 2001, and sampled the District's use of 31,511 telephone lines. The results of our sample revealed that approximately 6,621 telephone lines were either disconnected (4.62 percent or 1,456 lines) or not actively used (16.39 percent or 5,165 lines). We estimate costs associated with these lines to be approximately $1.578 million dollars per year.

As a part of our follow-up review, we requested information on the total number of telephone lines disconnected since October 1, 1998, from the vendor who provides telephone services to the District government. We also requested the vendor to validate that the District is no longer paying for the disconnected lines. The vendor responded to our request with a memorandum stating that it *did not have records of any telephone lines that had been disconnected after October 1998.* However, based upon review of the Power Bill, the District is in fact still paying for disconnected telephone lines.

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We also found that between October 2000 and March 2001, the District inappropriately paid a total of $173,791 in Gross Sales Receipt Tax surcharges and thereby did not take advantage of the exemption allowed by D.C. Code, 2001 Ed. § 47-2005 (1). We also determined that an inventory of the District's telecommunications equipment and the development of a network diagram of the telecommunications system had not been completed, as previously recommended.

On July 25, 2001, these matters were discussed with officials at OCTO. During the discussion, we were informed that, per the Office of the Mayor, OCTO does not have the authority to issue telecommunications policies that affect other District agencies. Also, in the opinion of the Office of the Corporation Counsel, the exemption from the Gross Sales Tax imposed by D.C. Code, 2001 Ed. § 47-2002 for sales to the District (§ 47-2005(1)) is inapplicable.

We recommend that the Chief Technology Officer:

1. Coordinate actions with District agencies and the vendor who provides telephone services to the District government to eliminate unneeded telephone lines;

2. Coordinate actions with the Office of the Mayor in issuing policies that require periodic analysis of line utilization and have all underutilized lines disconnected;

3. Take advantage of D.C. Code § 47-2005 and deduct Gross Sales Receipt Tax surcharges from telecommunications bills before payment;

4. Coordinate an inventory of all District telecommunications equipment and have the results of the inventory certified by each agency head; and

5. Coordinate the development of a network diagram of the District's telecommunications system and require that the diagrams be maintained to reflect periodic changes.

Closing. Please provide your response to this report and the recommendations by August 15, 2001. Your response should include actions taken or planned, target dates for completion of planned actions, and reasons for any disagreements with the issues and recommendations. You may suggest alternative actions that would resolve the conditions disclosed in this report.

Our intention is to limit distribution of this Management Alert Report until OCTO officials have had the opportunity to comment. Therefore, please circulate the report only to those personnel who will be directly involved in preparing your response.

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We appreciate the cooperation and courtesies of OCTO and the facilities made available to us during the audit. Should you have questions concerning this report, or desire an exit conference prior to preparing your response, please call me or William J. DiVello, Assistant Inspector General for Audits, at 727-2540.

Sincerely,

Charles C. Maddox, Esq.
Inspector General

CM/wms

cc: The Honorable Anthony A. Williams, Mayor, District of Columbia
Mr. John A. Koskinen, Deputy Mayor and City Administrator

EXHIBITS

Exhibit 8: Management Alert Report Regarding Establishing a Tracking System

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General

April 3, 2001

Mr. John A. Koskinen
Deputy Mayor and City Administrator
Office of the City Administrator
441 4th Street, N.W., Suite 1120
Washington, D.C. 20001

Dear Mr. Koskinen:

The purpose of this Management Alert Report (MAR No. 01-A-07) is to inform you that the District urgently needs to track the status and monitor the implementation of recommendations made to the District Government by the General Accounting Office, various federal inspectors general, non-government auditors, and the District of Columbia Office of the Inspector General (OIG). This need became evident during the OIG's ongoing review of District Agencies' Implementation of Audit Recommendations (Project No. OIG-01-1-1MA).

This Management Alert Report (MAR) is the second the OIG has issued in connection with this review. The first MAR (MAR No. 01-A-06) dealt specifically with the District of Columbia Lottery and Charitable Games Control Board. Additional MARs are anticipated to report interim results as audit work is completed at different agencies.

Background and Objectives

Pursuant to the Office of the Inspector General Powers and Duties Amendment Act of 1999, D.C. Law 13-71, the OIG is required annually to identify, in its annual report to the Mayor, the City Council, and appropriate committees of Congress, each significant recommendation on which corrective action has not been completed. In order to assess the actions taken by agency management in response to previously reported deficiencies, the OIG is conducting a District-wide audit of agencies' implementation of recommendations from previous audit reports. The overall objectives of this review are to determine whether agencies have implemented agreed-to recommendations that were intended to correct reported deficiencies and actually corrected reported deficiencies.

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Finding: Tracking the Status of Recommendations

Synopsis. While our overall review is incomplete, none of the agencies we visited was readily aware of the status of the recommendations made to them on prior audits. None had manual or automated tracking systems that would provide the data necessary to keep the agency head, District executive management, City Council, and OIG informed of the status of recommendations and the actions that the agencies had taken. Consequently, District stakeholders cannot be assured that the conditions identified in the various audit reports have been corrected or that action is ongoing to correct the deficiencies. In fact, preliminary indications of this follow-up review are that District agencies have sometimes disregarded the actions that they had agreed to take and, as a result, corrective actions have languished.

On the positive side, the Office of the Chief Financial Officer did maintain a system to track the status of recommendations and deficiencies noted by the non-federal auditors for the Consolidated Annual Financial Report. The District made effective use of the system; however, this system was recently discontinued.

Discussion. While the District does not currently have guidance about monitoring the implementation of recommendations, the Office of Management and Budget Circular No. A-50 (Circular) guides federal agencies on audit followup. Its purpose, in part, is to emphasize the importance of monitoring the implementation of resolved audit recommendations in order to assure that promised corrective action is actually taken. Specifically, the Circular provides that each federal agency shall establish systems to assure the prompt and proper resolution and implementation of audit recommendations. These systems shall provide for a complete record of action taken on both monetary and non-monetary findings and recommendations.

The enclosed Circular also provides that audit followup is an integral part of good management and is a responsibility shared by agency management officials and auditors. The Circular directs specific actions that should be taken by federal agencies that would assure effective followup systems.

The District should adopt applicable portions of the Circular to improve District Government operations and establish systems to assure the prompt and proper resolution and implementation of audit recommendations. In particular, the systems should provide for a complete record of action taken by management on all findings and recommendations included in the reports issued by GAO, federal inspectors general, non-government auditors (e.g., A-133 reports and the Consolidated Annual Financial Reports), and the OIG.

The need to complete effective action on recommendations extends to all departments and agencies of the District Government whether independent of the Mayor or not. Therefore, legislation may be necessary to supplement any action the Deputy Mayor/City Administrator might take to track the status of recommendations.

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Recommendations. We recommend that the Deputy Mayor/City Administrator:

1. Adopt the applicable portions of OMB Circular No. A-50 and establish a finding and recommendation tracking system meeting the Circular's specifications.

2. Submit legislation as necessary to ensure that agencies independent of the Mayor are required to submit information to the Office of the City Administrator for inclusion into the tracking system.

Closing

Please provide your comments and responses to the recommendations by **April 17, 2001**. Your response should include actions planned or taken, target dates for completing planned actions, and reason(s) for any disagreements with the issues and recommendations. You may suggest alternative actions that would resolve the conditions disclosed in this report. **Our intention is to limit distribution of this Management Alert Report until comments are received. Therefore, please circulate it only to those personnel who will be directly involved in preparing your response.**

Should you have questions concerning this report or desire a conference before preparing your response, please call me or William J. DiVello, Assistant Inspector General for Audits, at 727-2540.

Sincerely,

Charles C. Maddox, Esq.
Inspector General

CM/jbe

Enclosure

cc: The Honorable Anthony A. Williams, Mayor, District of Columbia
Dr. Abdusalam Omer, Chief of Staff, Office of the Mayor's Chief of Staff
Dr. Natwar M. Gandhi, Chief Financial Officer
Earl C. Cabbell, Senior Financial Advisor

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OMB Circular A-50

Office of Management and Budget

Circular No. A-50
Revised
September 29, 1982

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Audit Followup

1. **Purpose.** This circular provides the policies and procedures for use by executive agencies when considering reports issued by the Inspectors General (IGs), other executive branch audit organizations, the General Accounting Office (GAO), and non-Federal auditors where followup is necessary.

2. **Rescissions.** This revision replaces and rescinds Circular No. A-50, "Executive branch action on General Accounting Office reports," Revised, dated January 15, 1979, and incorporates certain provisions previously set forth in Circular A-73, "Audit of Federal operations and programs," Revised, dated November 27, 1979.

3. **Authority.**

a. Budget and Accounting Act of 1921, as amended (31 USC 16 & 53).

b. Section 236 of the Legislative Reorganization Act of 1970.

c. Supplemental Appropriations and Rescissions Act of 1980 (P.L. 96-304).

d. Appropriations Act of 1981 (P.L. 96-526).

e. 4 CFR 101-105, Federal Claims Collection Standards.

f. GAO Policy and Procedures Manual for Guidance of Federal Agencies (Title 2-Accounting).

4. **Background.** The principal objectives of this revision are:

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Exhibit 8: Management Alert Report Regarding Establishing a Tracking System

a. To specify the role of the designated audit followup officials, and the role of Inspectors General with regard to audit followup.

b. To strengthen the procedures for resolution of audit findings and corrective action on recommendations contained in audit reports issued by IGs, other audit organizations, and the GAO.

c. To clarify the applicability of the Circular to regulatory and preaward audits.

d. To emphasize the importance of monitoring the implementation of resolved audit recommendations in order to assure that promised corrective action is actually taken.

e. To improve accounting and collection controls over amounts due the Government as a result of claims arising from audits.

5. **Policy.** Audit followup is an integral part of good management, and is a shared responsibility of agency management officials and auditors. Corrective action taken by management on resolved findings and recommendations is essential to improving the effectiveness and efficiency of Government operations. Each agency shall establish systems to assure the prompt and proper resolution and implementation of audit recommendations. These systems shall provide for a complete record of action taken on both monetary and non-monetary findings and recommendations.

6. **Definitions.**

a. **Responses to Audit Reports** -- Written comments by agency officials indicating agreement or disagreement on reported findings and recommendations. Comments indicating agreement on final reports shall include planned corrective actions and, where appropriate, dates for achieving actions. Comments indicating disagreement shall explain fully the reasons for disagreement. Where disagreement is based on interpretation of law, regulation, or the authority of officials to take or not to take action, the response must include the legal basis.

b. **Resolution.**

(1) For most audits, the point at which the audit organization and agency management or contracting officials agree on action to be taken on reported findings and recommendations; or, in the event of disagreement, the point at which the audit followup official determines the matter to be resolved. A report may be considered resolved despite the right of persons outside the agency to negotiate, appeal, or litigate. Resolution of a report with respect to parties outside the Government does not preclude further consideration of issues in the report by agency management.

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(2) For preaward contract audits, the point at which the agreement is reached, a contract price negotiated, or proposed award canceled, whichever occurs first.

(3) For GAO reports, the point at which the agency responds to the Congress, as required by the Legislative Reorganization Act of 1970.

c. **Corrective Action** -- Measures taken to implement resolved audit findings and recommendations.

d. **Disallowed Costs** -- An incurred cost questioned by the audit organization that management has agreed should not be charged to the Government.

7. **Responsibilities.**

a. **Agency Head.** Agency heads are responsible for:

(1) Designating a top management official to oversee audit followup, including resolution and corrective action.

(2) Assuring that management officials throughout the agency understand the value of the audit process and are responsive to audit recommendations

b. **Management Officials.** Agency management officials are responsible for receiving and analyzing audit reports, providing timely responses to the audit organization, and taking corrective action where appropriate. Where management officials disagree with an audit recommendation, the matter shall be resolved by the followup official.

c. **Audit Followup Official.** The audit followup official has personal responsibility for ensuring that (1) systems of audit followup, resolution, and corrective action are documented and in place, (2) timely responses are made to all audit reports, (3) disagreements are resolved, (4) corrective actions are actually taken, and (5) semi-annual reports required by paragraph 8.a. (8) below are sent to the head of the agency.

d. **Inspectors General.** Inspectors General or other audit officials are responsible for (1) making independent audits and investigations of their agencies' programs, operations, activities, and functions; (2) overseeing the work of non-Federal auditors performed in connection with Federal programs; and (3) reviewing responses to audit reports and reporting significant disagreements to the audit followup official.

e. **Comptroller General.** The Comptroller General is the head of the GAO, a legislative branch agency responsible for auditing and evaluating programs, activities, and financial operations of the executive branch.

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8. **Action Requirements.**

a. **Follow-up Systems.** Agencies shall assign a high priority to the resolution of audit recommendations and to corrective action. Systems for resolution and corrective action must meet the following standards:

b.

(1) Provide for appointment of a top level audit followup official.

(2) Require prompt resolution and corrective actions on audit recommendations. Resolution shall be made within a maximum of six months after issuance of a final report or, in the case of audits performed by non-Federal auditors, six months after receipt of the report by the Federal Government. Corrective action should proceed as rapidly as possible.

(3) Specify criteria for proper resolution and corrective action on audit recommendations, whether resolution is in favor of the auditor or an auditee. These criteria should provide for written plans for corrective action with specified action dates, where appropriate.

(4) Maintain accurate records of the status of audit reports or recommendations through the entire process of resolution and corrective action. Such records shall include appropriate accounting and collection controls over amounts determined to be due to the Government.

(5) Provide a means to assure timely responses to audit reports and to resolve major disagreements between the audit organization and agency management or contracting officials. The process should provide sufficient time to permit resolution to take place within the six month limit.

(6) Assure that resolution actions are consistent with law, regulation, and Administration policy; and include written justification containing, when applicable, the legal basis for decisions not agreeing with the audit recommendation.

(7) Provide for coordinating resolution and corrective action on recommendations involving more than one program, agency, or level of Government.

(8) Provide semi-annual reports to the agency head on the status of all unresolved audit reports over six months old, the reasons therefor, and a timetable for their resolution; the number of reports or recommendations

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resolved during the period; the amount of disallowed costs; and collections, offsets, write-offs, demands for payment and other monetary benefits resulting from audits. These reports should include an update on the status of previously reported unresolved audits.

(9) Provide for periodic analysis of audit recommendations, resolution, and corrective action, to determine trends and system-wide problems, and to recommend solutions.

(10) Assure that performance appraisals of appropriate officials reflect effectiveness in resolving and implementing audit recommendations.

(11) Provide for an evaluation of whether the audit followup system results in efficient, prompt, and proper resolution and corrective action on audit recommendations. The first evaluation will be made within one year of the date of this Circular, and evaluations will be made periodically thereafter.

b. **Special Requirements.** The following additional requirements apply to General Accounting Office reports:

(1) **Draft Reports.** The GAO normally issues draft reports to agencies for their review and comment, so that final reports may incorporate agency views. In accordance with 31 USC 53(f) (1), agencies shall provide comments on draft GAO reports with 30 days of issuance. However, the law provides that, if an agency cannot respond to a report within 30 days, the agency may request additional time from GAO to comment.

(2) **Final Reports.** The GAO issues final reports to the Congress or the head of an agency. Agencies are required to respond to these reports in accordance with instructions contained in paragraphs (3) and (4) below.

(3) **Statements to the Office of Management and Budget.** The agency head will submit a statement to the Director of OMB within 60 calendar days after formal transmittal of a GAO report to the agency when at least one of the following applies:

(a) The report contains a specific recommendation for the head of the agency;

(b) The report contains financial statements accompanied by either a qualified audit opinion or a disclaimer of opinion:

(c) The report indicates a violation of the Antideficiency Act which has not been reported to the appropriate authorities;

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Exhibit 8: Management Alert Report Regarding Establishing a Tracking System

(d) The report indicates a violation of other laws; or

(e) When requested to comment by OMB.

The agency statement should identify the GAO report by number and date (i.e., GAO/GGD-82-00, dated January 30, 1982), and be submitted in duplicate. It should inform the OMB of the agency views on the findings and recommendations made by the GAO. It should also identify any action taken, or planned, in response to each significant finding or recommendation.

If the agency response to a draft GAO report accurately and adequately reflects its current views, a copy of those comments will be sufficient.

When corrective action is incomplete, still under study, or planned, the agency will include a statement of when it expects action to be completed, and will report on corrective action after it is completed.

The agency should include in its statement to OMB copies of statements required by Section 236 of the Legislative Reorganization Act of 1970. See paragraph (4) below. These statements may be used to satisfy the initial reporting requirements to OMB. The statements should be accompanied by any additional information not provided to the Congress, but required by this section of the Circular.

(4) **Statements to Congressional Committees.** In accordance with Section 236 of the Legislative Reorganization Act of 1970, when a GAO report contains recommendations to the head of an agency, the agency shall:

(a) Submit a written statement to the Senate Committee on Governmental Affairs and the House Committee on Government Operations, no later than 60 days after the date of such report. This statement will report the action taken or to be taken by the agency with respect to the recommendations to the head of the agency.

(b) Submit a written statement to the Committees on Appropriations of the Senate and the House of Representatives, in connection with the first request for appropriations for that agency submitted to the Congress more than sixty days after the date of the GAO report. This statement will report the action taken by the agency with respect to the recommendations to the head of the agency.

Two copies of the above statements will be submitted on the same date to the OMB and the GAO.

EXHIBITS

Exhibit 8: Management Alert Report Regarding Establishing a Tracking System

(5) **Advance Clearance and/or Coordination Requirements.** Agency statements to Congressional committees, individual Members of Congress or the GAO, will be subject to advance coordination and/or clearance by OMB when the statement:

(1) Expresses views on proposed or pending legislation. See Circular A-19, "Legislative coordination and clearance."

(2) Deals with other agencies, or with executive branch budget policies.

Requests for advance clearance and/or coordination will be addressed to the Director, OMB, and will be forwarded in duplicate. Clearance action will be completed prior to transmittal of the statement.

9. **Applicability to Regulatory Audits.** The requirements for resolution and corrective action contained paragraph 8.a. shall be applied to those reports of agency units responsible for regulatory or inspection activities involving the review of financial matters that may result in:

(a) Fines or penalties;

(b) Assessments or price adjustments; or

(c) Other monetary recoveries by the Government.

The agency audit followup official shall ensure that appropriate followup systems are in place for these units. Separate subsystems may be used.

10. **Applicability to Preaward Contract Audits.** Audit reports involving recommendations on contractor estimates of future costs are subject to the provisions of this Circular. However, since such reports generally are resolved by negotiation of a contract price, they are not subject to the time limits or reporting requirements set forth in paragraphs 8.a.(2), (5), and (8). The requirement for records on the status of reports set forth in paragraph 8.a.(4) may be met by records maintained in official contract files.

11. **Accounting and Collection Controls.** In order to ensure effective recovery action, each agency will establish accounting and collection controls for amounts due the Government as a result of resolved audit findings and recommendations. Unless otherwise required by statute, all claims arising from audit disallowances shall be collected in accordance with Federal Claims Collection Standards.

a. **Recording Receivables.** Amounts due the Government shall be recorded promptly as accounts receivable on the completion of the acts which entitle an agency to collect such amounts. For example, on matters where the auditor has the authority to make

EXHIBITS

Exhibit 8: Management Alert Report Regarding Establishing a Tracking System

John A. Koskinen, Deputy Mayor/City Administrator
MAR No. 01-A-07
April 3, 2001

ENCLOSURE
Page 8 of 8

final determinations, such determinations are to be recorded as receivables at the time the audit report is issued. Audit recommendations that are subject to management concurrence will be recorded as accounts receivable within 30 days of being resolved. The recording of the receivable is to be accomplished even though the decision to collect is subject to administrative appeal or litigation by persons outside the agency.

b. **Interest Charges.** Interest on audit-related debts shall begin to accrue no later than 30 days from the date the auditee is notified of the debt. To discourage unwarranted appeals, interest shall continue to accrue while the appeal is underway. The interest rate applied shall be that prescribed by the Treasury Fiscal Requirements Manual (I TFRM 6-8000).

c. **Allowance for Uncollectable Amounts.** Consideration shall be given to the potential for collecting audit-related debts. An allowance account shall be established to reflect that amount of receivables estimated to be uncollectable.

d. **Payment of Debts.** Procedures should be established to assure that the payment of audit-related debts does not result in charges to other Federal programs or in a reduced level of program activity.

e. **Exception.** There may be instances where a portion of the funds on a grant, contract, or other agreement are held back: (1) as a safeguard against overpayment; (2) pending completion, final inspection or approval of work; or (3) in accordance with other provisions of a grant or contract. In such instances, it is not necessary to record a receivable, since disallowed costs may be offset against undisbursed funds in the grant or contract audited.

12. **OMB Responsibility.** OMB will continue to work with agency audit followup officials and Inspectors General to ensure that the provisions of this Circular are implemented.

13. **Information Contact.** Inquiries should be directed to the OMB Financial Management Division at 395-3993 or to the OMB Debt Collection Staff at 395-3967.

14. **Sunset Review Date.** This Circular shall have an independent policy review to ascertain its effectiveness three years from the date of issue.

David A. Stockman
Director

This OMB Circular was obtained via OMB's web site at: http://www.whitehouse.gov/omb/circulars/index.html#numerical

EXHIBITS

Exhibit 9: The Lottery Board Response to MAR NO. 01-A-06

GOVERNMENT OF THE DISTRICT OF COLUMBIA
D.C. LOTTERY AND CHARITABLE GAMES CONTROL BOARD
2101 MARTIN LUTHER KING, JR. AVENUE, S.E., 5TH FLOOR
WASHINGTON, D.C. 20020-5731

Anthony S. Cooper
Executive Director

(202) 645-8010
Fax: (202) 645-3683

May 4, 2001

Charles C. Maddox, Esq.
Inspector General for the District of Columbia
Office of the Inspector General
717 14th Street N.W.
Washington, D.C. 20005

Re: Response to Management Alert Report (MAR No. 01-A-06)

Dear Mr. Maddox:

The District of Columbia Lottery and Charitable Games Control Board ("Lottery") thanks you, William DiVello, and the OIG audit staff for the referenced follow-up report and your staff's assistance to the Lottery in the course of their review. We have attached a memorandum summarizing our response, and hope that the report and response will contribute to the Lottery's purpose and mission to increase lottery sales and transfer to the General Fund with the assistance of its partners and customers: the citizens and government of the District; our licensed agents; your office; and the Office of the Chief Financial Officer of the District of Columbia.

Please direct your questions or requests for additional information to me at 645-8076, or Bill Robinson, the Lottery's Chief Financial Officer, at 645-8070.

Sincerely,

Anthony S. Cooper
Executive Director

EXHIBITS

Exhibit 9: The Lottery Board Response to MAR NO. 01-A-06

MEMORANDUM

D.C. Lottery and Charitable Games Control Board
Office of the Executive Director

TO: Charles C. Maddox, Esq.
Inspector General for the District of Columbia

FROM: Anthony S. Cooper
Executive Director

DATE: May 4, 2001

SUBJECT: Office of the Inspector General's Follow-up Review Report
OIG Management Alert Report (MAR No. 01-A-06)

This memorandum is to address the recommendations of the Office of the Inspector General's ("OIG") follow-up audit of the D.C. Lottery and Charitable Games Control Board ("the Lottery").

<u>Recommendation # 1:</u>

Ensure that repayment agreements are written and executed by all participating agents.

Response:

The current management of the Lottery does not use oral repayment agreements, and does not believe that they have more efficacy than the regulatory, enforcement and judicial processes already available to the Lottery. The Lottery will continue to use various types of written agent agreements in the following circumstances: (1) upon annual issuance of all new and renewal agent licenses; (2) when the Lottery believes that it's in the District's best interest to retain a delinquent agent in active status to preserve the revenue stream afforded at that agent location;[1] (3) in settlement of a potential or active law suit against a revoked agent; and (4) whenever other circumstances indicate their use.
The most significant agent agreement, the agent license, will be revised and phased in for new and renewal agents to include terms and conditions that anticipate and improve the success of all collections. Detailed terms providing for liens, attachments, collateral, contractual waiver of defenses and other collections mechanisms will be considered for inclusion in the agent agreement that all licensees sign long before any delinquencies occur.

Two (2) factors prevent us from carrying out the recommendation to "ensure that repayment agreements are written and executed by all participating agents." First, while the Lottery has ample means to encourage an active or former agent to execute a repayment agreement, it can not compel, or

[1] Agents in delinquent status are retained when the short fall is due to a burglary, robbery or other emergency beyond the agent's control, and only when the Lottery believes it can assist the agent, through the agreement and by other means, to become financially responsible. This is by definition an infrequent occurrence.

EXHIBITS

Exhibit 9: The Lottery Board Response to MAR NO. 01-A-06

"ensure" it.[2] Secondly, once an agent license is revoked or surrendered, the Lottery's leverage and options are limited to delinquency notices to the proper authorities pursuant to the Clean Hands Act (D.C. Law 11-118) and master business license provisions of the Second Omnibus Regulatory Reform Amendment Act of 1998 (D.C. Law 12-261), civil collection actions, and other permissible judicial or enforcement remedies. Each of these options may be more effective than, or used in conjunction with, a written agreement.

Recommendation # 2:

Ensure that a process is established to generate monthly statements for agents with repayment agreements to identify delinquent agents and to develop an aging schedule.

Response:

The Lottery has implemented a process whereby letters are sent monthly to agents with repayment agreements to remind them of their obligation to pay any outstanding balance. All agents with outstanding balances will be listed on the aging schedule prepared monthly.

Recommendation # 3:

Review and reconcile the agent accounts receivables report reports to include the five missing agent accounts identified and report the results to the OIG.

Response:

The agency's accounts receivable reports will be reviewed and reconciled to include the five accounts in question. The agency has reflected a variance between the control account in the general ledger and the subsidiary listing supporting the balance. The variance represented an understatement on the subsidiary listing. Posting the five accounts will essentially reconcile the control account and subsidiary listing with the exception of minor differences.

Recommendation 4:

Aggressively pursue recovery of back monies owed from agents whose accounts become delinquent.

[2] As an example of the limited utility of repayment agreements, in FY 1997 the Lottery began an effort to collect outstanding debts by formalizing repayment agreements with agents that the Lottery was able to contact. Letters were sent to all delinquent agents stating balances owed and requesting that they make payment arrangements with the Lottery immediately. Thirteen former agents responded and met with Lottery officials. The Lottery was able to reduce repayment agreements to writing with only two (2) of the thirteen (13). In that year, one (1) active delinquent agent, Jane's Ice Cream, executed a repayment agreement. In a related 1996 matter, a fourth agent pled guilty to a federal charge related to his intentional retention of lottery funds held in trust, and entered into a court-ordered restitution agreement.

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EXHIBITS

Exhibit 9: The Lottery Board Response to MAR NO. 01-A-06

Response:

This spring, the Lottery secured the approval and support of the Office of the Corporation Council (OCC) to initiate an aggressive collection effort. A Lottery Board attorney will issue notices of intention to take legal action, opportunity to pay the delinquency, and potential criminal liability to 80 to 100 former agents with delinquencies. Notices, civil collection, and other appropriate remedies will be pursued in a 20 week concentrated effort under the supervision of the OCC's Civil Division, and with the support of OCC resources like service of process.

A proactive and preventative approach to substantially reduce delinquencies will be coordinated with the collection effort. This will include amended agent license agreements, revisited and revised procedures for NSF's and licensing actions, improved coordination between the Finance, Licensing, Security, and Legal units of the Lottery, and other measures identified as we proceed.

Recommendation # 5:

Take action to ensure that terminals are immediately deactivated upon notification of NSF.

Response:

The finding in regards to deactivation of terminals upon receipt of a NSF is inaccurate. The practice of deactivating agent terminals immediately upon receipt of a NSF has been in place for several years. The process is simply disabling the agent's terminal to prevent transactions via the management terminal. We recently implemented the additional procedure of printing a copy of the management terminal's screen when an agent's terminal is deactivated. The printed screen copy is then placed in the respected agent's file to document the date and time of deactivation.

The auditor provided a listing with notation that agents were not suspended after four NSFs and terminals were not cut-off. There is insufficient evidence to support the finding that terminals were not deactivated after each NSF incident. The deactivation of terminals, and the suspension and/or revocation of licenses are separate and distinct functions.

Recommendation # 6:

Develop and implement procedures that require the referral of all delinquent agent accounts to the Office of the Corporation Counsel for criminal and/or civil prosecution, as appropriate, until such time the Corporation Counsel may designate an attorney of the D.C. Lottery Board as a Special Assistant Corporate Counsel.

Response:

At the Lottery's request, a Lottery attorney was recently sworn in as Special Assistant Corporation Counsel to vigorously pursue civil collections. The Lottery will develop referral procedures for criminal prosecutions with the Office of the United States Attorney for the District of Columbia.

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EXHIBITS

Exhibit 9: The Lottery Board Response to MAR NO. 01-A-06

Please refer to Recommendations #4 and #10 for additional details of the approach envisioned.[3]

Recommendation # 7:

Develop and implement written collection procedures for sales of instant lottery tickets; particularly, in instances in which the agent is delinquent in either on-line or instant sales.

Response:

The interruption of instant ticket sales is required only in the following license actions: emergency interruption of all lottery operations; suspension; revocation; and surrender. It is not required or appropriate in the case of interruption of on-line operations if the agent has open packages of tickets to sell. Note that the agent may have paid for instant tickets in prior sweeps and is authorized to sell them if his license is in effect.

The Lottery will re-evaluate its collection process of instant ticket receivables for delinquent, suspended or revoked agents. Our efforts will concentrate on the best methods of removing instant tickets from the possession of defaulting agents with minimum revenue loss and protection of players who legitimately purchased tickets. Agent accounts will be credited for the recorded and outstanding receivable balance of repossessed tickets.

Ticket sales are booked as part of the entry to record the receivable amount due. On-line receivables represent sales net of prizes redeemed, commissions, and adjustments. The instant sales receivable balance is ticket sales less agent commission on sale. The 90/90 collection plan creates a problem when an agent is delinquent, since the balance due is at the point percent of low-tier ticket are redeemed or 90 days from date of pack activation. NSFs will result the week that payment for packs become due. Tickets in the possession of a defaulting agent are still sold to the public.

Recommendation # 8:

Take actions to ensure that the installation of the new financial accounting system is completed and provide information as to related timelines and milestones to the OIG.

[3] At page 6, "Discussion" of *Original Finding #2: Non-Compliance with Requirements*, OIG auditors conclude that the Lottery was in non-compliance with requirements when it failed to notify the Department of Justice ("DOJ") of an agent's failure to make scheduled payments pursuant to a court-ordered restitution agreement resulting from the agent's guilty-plea in 1996. Actually, it is DOJ and its Financial Litigation Unit ("FLU") that monitors, receives and forwards payments to the victim in a federal criminal conviction, in this case the Lottery. The Lottery Board's legal staff reported this to the OIG audit team, and that there were numerous communications with the U.S. Attorneys Office and DOJ's Financial Litigation Unit (FLU) when payments were not forwarded to the Lottery Board by DOJ/FLU on schedule. These communications began in 1996 or 1997 and continued until April 6, 2001 when FLU forwarded to the Lottery a "final" payment of $26, 137. Lottery records indicate that this payment was not full satisfaction of the court ordered agreement and will seek from FLU an additional $1900 owed. Please understand that successful retrieval of the balance owed is controlled solely the DOJ/FLU, notwithstanding the Lottery's persistent and largely successful prior and continuing efforts. Conversations with the FLU supervisor indicated that the delay in remitting the payments was due to FLU's sizeable administrative backlog.

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EXHIBITS

Exhibit 9: The Lottery Board Response to MAR NO. 01-A-06

Response:

The financial accounting system has been completed to the point of accumulating gaming activities to the database and generating a daily report of transactions in accounting format. The remaining phase of the project to be completed is the interface of transactions to and from the SOAR and Oracle systems. Bids have been received and submitted to the agency's Procurement Department, SOAR Coordination Unit and the Mission Support Contracts Unit for review and contracts preparation.

Once contracts are met, the tentative timeline for completion is sixteen weeks from start date of work. We anticipate completion of the project by September 30, 2001 foregoing any major setbacks.

Recommendation # 9:

Explore alternative bonding mechanisms.

Response:

Due to the nature, size and location of their businesses, District Lottery agents have historically had difficulty securing individual commercial bonds at an affordable cost that would not discourage applications for agent licenses. In light of this difficulty and other considerations, the Lottery and D.C. Treasurer established a District bond account in FY 1987 to minimize financial loss due to agents' failure to remit sales proceeds to the agency, and to provide the bond required by D.C. Code § 2-2515, " *in such amounts* and in such manner as determined by the Board." The bond account was funded by an annual agent-licensing fee of $100 that was increased to $250 in FY 1997 pursuant to the OIG's recommendation. The account currently exceeds $400,000, takes in approximately $119,000 annually based on an agent base of 475 agents, and has never been at risk of depletion.

The Lottery will examine Recommendation #9 and bench mark its bonding practice against comparable lottery jurisdictions and consider other models to provide bonding, or with a statutory change, other security instruments and methods. The method and cost of lottery agent bonds in other jurisdictions depends on many variables: applicable state contracting and appropriations law; geographic size; population; number of lottery agents; proportion of metropolitan, suburban and rural agent locations; and volume of sales at each agent terminal. Lottery financial officers of other lottery jurisdictions have recently commented that the District model provides the best of all worlds. No third party is introduced into the Lottery-agent-bond relationship; no procurement process is required; no appropriations law questions are raised; neither the Lottery nor the agent is ever forced to sue on the bond; there is no litigation with a bond company concerning liability; and there is no uncertainty, doubt, delay or dispute about whether full recovery will be had against the bond.

The District does not sustain a loss when it recovers on the bond account, since bond funds are available through agent payments rather than Lottery Board expenditures and lost revenues have been recovered. In addition, collection recoveries will be available to fund the account. In the case of a commercial bonding company, such recoveries profit the bonding concern rather than the government, even though the government has shared the risk inherent in the bond.

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EXHIBITS

Exhibit 9: The Lottery Board Response to MAR NO. 01-A-06

Recommendation # 10:

Refer the $500,000 written off as bad debts to the DOJ for civil and/or criminal proceedings as appropriate.

Response:

First, it should be noted that $322,000 of the $500,000 represented collections from the bonding account in FY 1998 and did not represent a financial loss to the District. The balance was reserved for potential losses and expensed over many years of operations.

While failure to deposit Lottery net sales receipts may subject an agent to criminal prosecution for embezzlement, uttering, and other violations, failure to refer for criminal prosecution does not constitute non-compliance with requirements. These matters are subject to judgement and should be referred on a case by case basis taking the facts, circumstances, available proof, likelihood of success, and consultation with an Assistant U.S. Attorney into account in each instance.[4] Based on prior consultation with Assistant U.S. Attorneys over the years, the Lottery anticipates that criminal prosecution will be judiciously and sparingly pursued in appropriate and egregious circumstances. Automatic referral for prosecution does not take lottery industry needs, business environments, or practices into account and may undermine, rather than enhance, the government's mission to: (1) increase the number of lottery agents; (2) increase sales and transfer to the General Fund; and (3) successfully recover significant revenues.

Recommendation # 11:

We recommend that the Executive Director, D.C. Lottery Board, take the necessary action to require that its agents provide proof of casualty insurance to cover the cost of replacement of the on-line computer terminal and Agency property assigned to the agents.

Response:

The Lottery will examine its options to protect its property in the possession of its agents, including coverage under its On-line Services Contract with Lottery Technology Enterprises, self-insurance available to the government, and revocation or amendment of its rules requiring agent casualty insurance.

[4] While there is no statute of limitation for civil actions in which the District is plaintiff, statutes of limitations for criminal prosecutions by the government may reduce the number of prosecutions that the U.S. Attorney can undertake in the case of the entire backlog of former agent delinquencies.

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EXHIBITS

Exhibit 10: DCPS Response to MAR No 01-A-12

DISTRICT OF COLUMBIA
PUBLIC SCHOOLS
Office of Human Resources
825 North Capitol Street, NE, Sixth Floor
Washington, DC 20002-4232
202/442-5420, fax: 202/442-5315
www.k12.dc.us

May 31, 2001

Mr. Charles C. Maddox, Esq.
Inspector General
Government of the District of Columbia
717 14th Street, N. W.
Washington, D. C. 20005

Dear Mr. Maddox:

Dr. Vance has asked me to provide a response to your letter of May 21, 2001, regarding the correction of previously identified deficiencies in the unemployment compensation payment process as it pertains to DCPS employees, and the lack of action on your earlier recommendations. As you know, I recently joined the DCPS executive staff and am in the process of sorting through a myriad of issues, thus my response to these recommendations may not be as in-depth as you would like, but are aimed at addressing the issues at hand with the resources and talents that are at my disposal.

As an educational entity, DCPS has approximately 11,000 employees, a large percentage of whom are "off work" during periods of school breaks, including summer vacation. For the most part, the salaries of these employees continue over a 12-month period and they are essentially "off work" in a pay status. There are however, a small segment of the population who are on an hourly wage schedule, are only compensated for hours worked, and are not paid during the summer break. These employees are eligible to apply for summer employment during this period, but such employment is not guaranteed. All of these employees, however, have a reasonable assurance of returning to work unless they have been issued a termination or separation notice.

The limited research I have been able to accomplish in compiling this response led me to understand that the unemployment insurance process in the District of Columbia includes a written notification to the last employer of an individual who has filed for benefits, giving that employer the opportunity to controvert a claim if circumstances exist that would render that applicant ineligible for benefits.

EXHIBITS

Exhibit 10: DCPS Response to MAR No 01-A-12

Letter to Mr. Charles Maddox
May 31, 2001
Page 2

The initial recommendations would impose what is currently an insurmountable additional workload on limited staffing capabilities within the DCPS administrative structure and also raises privacy concerns in terms of providing information about employees who have not filed for unemployment benefits. Thus given the structure of our workforce as described above, coupled with a new level of internal management responsiveness, it is proposed that unemployment compensation claims from DCPS employees be handled as follows:

- DCPS be notified of any claim for unemployment benefits, with opportunity to controvert, as is done with all other employers in the District of Columbia. These notices would go to a designated central point in DCPS, with an agreed upon turnaround time and delivery to a designated point in DOES. We are certainly willing to explore with DOES how this process could be accomplished with technology in lieu of a paper exchange, if that is viable.

- DCPS response would be based on a review of our automated database to determine if the applicant is (1) currently on the payroll and thus ineligible; (2) was separated for cause and thus ineligible; or (3) separated under conditions that would render the employee eligible for benefits.

- An auditable record of inquiries received and the response provided would be maintained within DCPS and available for audit purposes.

I look forward to discussing the implementation of the above-outlined actions with your staff as we work to enhance the effectiveness of DCPS.

Sincerely,

P.W. Lattimore

Patricia Watkins Lattimore
Human Resources Director

PWL/amw

cc: Dr. Paul L. Vance, Superintendent, DCPS
The Honorable Anthony A. Williams, Mayor of the District of Columbia
Mr. John A. Koskinen, Deputy Mayor and City Administrator

EXHIBITS

Exhibit 11: OFRM Response to MAR No. 01-A-14

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Netwar M. Gandhi
Chief Financial Officer

July 16, 2001

Charles C. Maddox, Esquire
Inspector General
Office of the Inspector General
717 14th Street, N.W.
Washington, DC 20005

Subject: Management Alert Report (MAR 01-A-14)

Dear Mr. Maddox:

This is in response to your letter on this subject, dated June 27, 2001. In your letter, you advised that the Office of Finance and Resource Management (OFRM) had taken sufficient action to address six of the eight recommendations made by the Office of the Inspector General (OIG) on this subject. Our response to your request for the actions taken in the other two recommendations follows.

Issue #1. *Recommendation that the Chief Financial Officer modify Object Class 308 to separate expenditures relating to telecommunications equipment from other telecommunication expenditures.*

In the past, we have strongly advocated that all costs associated with the central payment model be captured through the OFRM 308 Object Class.

In addressing this recommendation, it is important to state that while OFRM is well disposed to achieving this end, it is not totally under our control to bring this to reality. The following participation is needed:

- The Office of the Chief Technology Officer (OCTO) is at the front end of the process. Equipment can be obtained from a variety of sources. Equipment charges on the Verizon bill does not represent the total equipment purchases. For example, currently under object class 308, telephone equipment purchases via Verizon is captured. However, it is possible for an agency or OCTO to purchase telephone equipment under object class 409, which covers equipment provided as a result of a contract with a supplier.
- It would also be necessary to determine whether Verizon can segregate equipment charges on its bills. Currently, there is a "Service and Equipment" section of the bill; however, there is not a section for equipment alone.

441 4th Street, N.W., Suite 1150N, Washington, D.C. 20001 202/727-2476 www.dccfo.com

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Exhibit 11: OFRM Response to MAR No. 01-A-14

Charles C. Maddox, Esquire
Page 2
July 16, 2001

- The Office of Financial Operations and Systems (OFOS) will be required to approve any changes/modifications in the configuration of object classes.

OFRM will continue to take the lead on this initiative and pursue dialogue with the various entities. However, we cannot dictate the outcome of this initiative. OFRM will report the result of its efforts to the OIG within 30 days of the date of this letter.

Issue #2. *Recommendation that the Chief Financial Officer provide the OIG with documentation supporting the cost benefit rationale not to pursue the $30,000 surcharge.*

In a letter to the OIG, dated June 14, 2001, Barbara Jumper, Chief Financial Officer, OFRM, stated that it would not be cost effective to pursue the $30,000 surcharge. This decision was based on an objective analysis of the prevailing conditions at that time, including the following:

1. Prior to launching our telephone initiative in August 1998, there was no single billing document. Billing was fragmented, and it was impossible to obtain the total population of charges for any agency at any billing period.
2. Some agencies were receiving hard copies of bills, and at no time did any agency report this occurrence to OFRM. Agencies receiving bills were required to review them and raise any billing issues. It is the responsibility of the agency to scrutinize their bills. However, in defense of the agencies, they could never be assured of receiving all the bills and charges relative to their agency.
3. It would have required a team of consultants working with the support of Bell Atlantic to address this issue. Therefore, costs would have greatly exceeded $30,000.

It is in light of these considerations that OFRM made a business decision that pursuing the $30,000 would not have been a cost-effective exercise.

If you have any questions, please contact Barbara Jumper at 727-0333.

Sincerely,

Natwar M. Gandhi
Chief Financial Officer

EXHIBITS

Exhibit 12: DHCD Response to MAR No. 01-A-16

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Department of Housing and Community Development

JUL 10 2001

Charles C. Maddox, Esq.
Inspector General
Office of Inspector General
717 14th Street, N.W.
Washington, DC 20005

RE: Management Alert Report (MAR 01-A-16)

Dear Mr. Maddox:

Pursuant to the June 27, 2001 letter that summarized the results of your review of the Department of Housing and Community Development's (DHCD) implementation of OIG recommendations in response to OIG Report No. 11-99CD (Audit of the Department of Housing and Community Development's Management of Funds Provided to Community Development Corporations), I am providing additional requested information, as follows:

<u>OIG Request for Recommendation 1</u>: Provide the OIG with the response from the CFO regarding the recommendation to realign the Internal Audit Division within the Office of the Chief Operating Officer.

<u>DHCD Response</u>: The CFO's response is as follows:

The OIC recommended that the Director, DHCD move the Audit Division to the Office of the Chief Operating Officer.

The DHCD Chief Financial Officer CFO) disagrees with this recommendation. The DCHD CFO has established an Audit Division in its organization to provide independent reviews of DHCD's fiscal operations. Maintaining oversight of financial and budgetary functions remains a priority of the District's Office of the Chief Financial Officer.

The OIG recommended that the Director, DHCD expand the scope of potential audit coverage to include all DHCD activities and functions.

The DHCD CFO agrees with the OIG recommendation, and will work with the Director, DHCD to establish audit coverage for program activities and functions, and will ensure that the Audit Division coordinates its fiscal reviews with the program officials.

The OIG recommended that the Director, DHCD prepare and execute an annual audit plan with sufficient flexibility to allow for emergent (unplanned) audit work

801 North Capitol Street, N.E., Washington, D.C. 20002 (202) 442-7200

EXHIBITS

Exhibit 12: DHCD Response to MAR No. 01-A-16

and develop the plan based on an assessment of risk of DHCD activities to fraud, waste, and mismanagement.

The DHCD CFO agrees with the recommendation. However, as stated earlier the Audit Division is a component of the Office of the Chief Financial Officer. As such, the DHCD CFO will ensure that the Audit Division works with the CFO's Office of Internal Audit and Internal Security to develop a risk-based audit plan for DHCD financial operations.

The OIC recommended that the director, DHCD discontinue routine use of auditors for non-audit efforts.

DHCD is audited by a minimal of three different sets of auditors during each fiscal year. The internal audit staff within the Comptroller's Office provides technical assistance in preparation and responding to these auditors as part of their overall responsibilities. The agency does not feel that this represents a conflict in time or schedule, but enhances the overall effectiveness of DHCD

The OIC recommended that the Director, DHCD revise position descriptions and organizational functional statements to require DHCD auditors and the Division to comply with Government Auditing Standards.

The DHCD agrees with this recommendation and will coordinate with the OCFO's Office of Internal Audit and Internal Security to ensure proper functional statements are prepared and that audits are conducted in accordance with generally accepted government auditing standards. In addition, the DHCD CFO will review the auditor position description and revise if necessary.

OIG Request for Recommendation 2.: Provide the OIG complete documentation to support all disbursements made for the New York Avenue Metrorail Feasibility Station Study.

DHCD Response: Enclosed are documents that support disbursement of funds for the New York Avenue Metrorail Feasibility Station Study. The enclosures consists of SNYAI payment requests, Parsons Transportation Group, Inc. (PTGI) invoices, progress reports, a detailed cost breakdown, PTGI labor distribution report, PTGI expense detail report, PTGI fringe benefits and general overhead expenditures audit report for 1998, and SNYAI A-133 audit report. I hope these documents are sufficient to satisfy any concerns you may have regarding expenditures for this project.

Should you have any questions, please contact me directly on (202) 442-7210, or Jackie Douglas, Acting Manager of the Office of Program Monitoring on (202) 442-7241.

Sincerely,

Milton J. Bailey
Director

Enclosures

801 North Capitol Street, N.E., Washington, D.C. 20002 (202) 442-7200

EXHIBITS

Exhibit 13: UDC Response to MAR No. 01-A-13

University of the District of Columbia

Office of the President
4200 Connecticut Avenue, N.W
Washington, D.C. 20008

Telephone (202) 274-5100
Facsimile (202) 274-5304

2001 AUG 28 AM 10: 29

August 23, 2001

Charles C. Maddox, Esquire
Inspector General
Government of the District of Columbia
717 14th Street, N. W.
Washington, D. C. 20008

Dear Mr. Maddox:

This letter is written to submit the University's responses to the Management Alert Report (MAR - 01-A-13) regarding two areas of operations—the parking operations and the telephone system. Pursuant to your letter dated August 8, 2001, please find the following items attached to this correspondence:

- Comments and responses to the reported recommendations, including actions taken or planned, projected target dates for completion of planned actions and reasons for any disagreements with the reported issues or recommendations; and

- Supporting documentation for certain comments to further validate or substantiate the completion of certain tasks

We appreciate the opportunity to provide these responses. If you have questions or need further clarification, please contact Cassandra Alexander, Chief Financial Officer at 274-5140.

Sincerely,

Timothy L. Jenkins
President

Attachments

cc: The Honorable Anthony A. Williams, Mayor, District of Columbia
Mr. John A. Koskinen, Deputy Mayor and City Administrator, District of Columbia
Dr. Natwar Gandhi, Chief Financial Officer, District of Columbia
Mr. Earl C. Cabbell, Vice-President for Management, UDC
Ms. Cassandra Alexander, Chief Financial Officer, UDC

EXHIBITS

Exhibit 13: UDC Response to MAR No. 01-A-13

UNIVERSITY OF THE DISTRCIT OF COLUMBIA

RESPONSE TO MANAGEMENT ALERT REPORT (MAR 01-A-13)

ISSUED BY THE DISTRICT OF COLUMBIA OFFICE OF THE INSPECTOR GENERAL

Audit of the University of the District of Columbia's Telephone System (OIG No. 9839-14-99GF-9917) Issued July 20, 1999

The OIG, as a result of its follow-up audit, noted that the University did not have documented policies and procedures for the processes and systems used to manage, administer and operate its telephone system. Accordingly, the University was to provide policies and procedures for the payment for telephone services or for the certification and distribution of telephone services.

Moreover, the OIG noted that the University was using commercial long distance services instead of the FTS 2000 program. As a result, the University paid more for such services. Accordingly, the OIG recommended the following:

(a) Develop and implement telecommunications policies and procedures for paying, certifying, and distributing telephone charges;

(b) Initiate a refund request from the telecommunications service provider for any exempt taxes paid;

(c) Discontinue telecommunications services at the Mount Vernon location and for the International Calling Service and seek reimbursement for improper charges identified in this report; and

(d) Convert the University commercial long distance services to the FTS program.

Each recommendation as presented by the OIG is addressed below.

➢ Implementation of Telecommunications Policies and Procedures

The University is in the process of implementing a new plan for managing its telecommunications activities. Under the proposed plan, the Office of Telecommunications will be merged with the Information Technology Unit (Computer Center.) After this reorganization (or merging of operations) occurs, the Office of Information Technology and Telecommunications will work closely with the Finance Division to develop the appropriate policies and procedures for paying, certifying and distributing telephone charges. **(We are projecting that this will occur within one to three months.)**

➢ Refund Request for Exempt Taxes Paid

As noted in the Management Alert Report, the Telecommunications Manager, at the request of the OIG, notified the provider and learned that the University can request a refund for tax-exempt charges. Recognizing that new managers and other personnel have recently joined the Finance Division, Finance Division staff will be working closely with Telecommunications personnel to gain some understanding of the history surrounding this issue. After the necessary research is conducted and the required analyses are completed, the Finance Division, in conjunction with Telecommunications personnel and members of University management will request refunds, as deemed appropriate, from telecommunications providers. **(We are projecting that this will occur within one to three months.)**

EXHIBITS

Exhibit 13: UDC Response to MAR No. 01-A-13

➢ Discontinuance of Services

The University will take the necessary measures to discontinue the telecommunications services at the Mount Vernon location and for the International Calling Service. Recognizing that new managers and other personnel have recently joined the Finance Division, Finance Division staff will be working closely with Telecommunications personnel to gain some understanding of the history surrounding this issue. After the necessary research is conducted and the required analyses are completed, the Finance Division, in conjunction with Telecommunications personnel and members of University management will request refunds, as deemed appropriate, from telecommunications providers for the improper charges identified in the OIG's report. **(We are projecting that this will occur within one to three months.)**

➢ Conversion of Commercial Long Distance to FTS

To date, telecommunications personnel at the University have not taken any actions to convert commercial long distance to the FTS program. Plans are being formulated, however, to present to University management, a proposal that outlines the cost savings to be realized with such conversion. After the necessary approvals are obtained, the Telecommunications Office will complete the recommended conversion. **(We are projecting that this will occur within one to three months.)**

Report on the Audit of Parking Fee Revenue (OIG No. 99GF-9919) Issued July 26, 1999

In our response to the initial report issued by the District of Columbia Office of the Inspector General (OIG), the University concurred with the findings and recommendations as reported and provided plans for corrective actions to be taken to adequately address those findings. The OIG found during their follow-up audit that the University had not implemented two recommendations. The status of the recommended action items are discussed below:

Security Measures for Safeguarding Parking Lot Revenues

The OIG previously recommended that the University improve security over cash collected in the parking operations by (1) purchasing a new fireproof safe and controlling access to the safe/combination and (2) purchasing and installing an automatic gate that would count vehicles, generate tickets and monitor cash received.

In March 2001, the Finance Division purchased a new, fireproof SafeMasters safe that is used to hold amounts collected by parking attendants and other cash receipts awaiting bank deposit. Currently, the University's Controller is the only staff person that has access to this safe. **(See Attachment A for supporting documentation for the purchase of this safe.)**

To better improve internal controls over the University's parking operations, funds have been made available through the capital budgeting process to fully automate the parking garage. **This capital improvement is slated to begin construction by the summer 2002.**

This capital project will include the installation of an automatic gate that will include a mechanism for counting the number of vehicles that enter the parking facility. In addition, with the installation of this automated parking system, there will be no parking attendant on duty to collect cash and distribute tickets. Instead, parking customers will insert the necessary amount into a machine, designating the number of the parking space occupied, and then obtain a receipt from the machine for the fee paid. (The customer will be required to pay a fee according to the amount of time he/she will be in the facility.) These features as described will enhance internal controls by: (1) reducing the opportunities for theft, fraud or other improprieties by limiting the number of individuals responsible for the handling of cash and (2) facilitating a more efficient process for reconciling the number vehicles entering the facility with the

EXHIBITS

Exhibit 13: UDC Response to MAR No. 01-A-13

amount of cash collected on a daily basis. **(See Attachment B for further information regarding the parking garage automation project.)**

Analysis of Parking Revenues

The OIG indicated in the cited Management Alert Report that significant unexplained fluctuations in daily parking revenues had been noted. Furthermore, the OIG maintained that such fluctuations could indicate that reported revenue collections were inaccurate. We concur with the findings of the OIG with respect to inaccurate reporting of parking revenues. It is our contention, however, that the installation of the *automated parking system* will enable the Finance Division to make marked improvements in this area. In addition, the University's Finance Division is undergoing a restructuring whereby Revenue Accountants are to be recruited and hired. These positions will allow for more accurate tracking and reporting of parking fee revenues.

Monitoring the Activities of the Parking Lot Personnel

As a result of their initial audit, the OIG indicated that the activities of the parking lot personnel were not adequately monitored, which ultimately resulted in lost revenues. Specifically, the OIG found that the University did not: (a) perform on-site monitoring of parking lot personnel three times a day, or at any time during the day (b) implement a new parking garage operating procedure to monitor personnel and ensure that all revenues are collected (c) subject parking activities to internal audits without prior notification to staff (d) hire additional parking lot monitors and (e) assess whether to continue the individuals in their present positions or to transfer all existing monitors to other positions within the University. Each of these points are addressed below:

➢ On – Site Monitoring of Parking Lot Personnel

Currently, the parking garage unit , which is comprised of only two individuals, is part of larger unit or division, Campus Services. Campus Services also includes the Mail Room, Duplication Services, Transportation, and Shipping and Receiving. There is no Coordinator or Supervisor for the Campus Services Unit. Ordinarily, this individual would be responsible for planning and performing such on-site monitoring. As a compensating measure for this staffing shortage, Finance Division personnel make unannounced visits to the parking garage to observe the activities of attendants and to perform test counts or "spot" counts of amounts collected. Any discrepancies noted are immediately reported to the University's management and the necessary investigations are made.

➢ Implementation of New Parking Garage Operating Procedure

The Finance Division has developed a draft of the new policies and procedures to be used for collecting the University's parking fee revenues. These procedures will enhance controls over this function. **(See Attachment C for a copy of these draft procedures.)**

➢ *Internal Audits of Parking Activities*

Due to the reductions in force that occurred in the mid-1990's, the University does not currently have staff that are dedicated to the internal audit function. Nonetheless, as noted above under the section entitled *"On-Site Monitoring of Parking Lot Personnel,"* Finance Division personnel do conduct unannounced observations of activities.

EXHIBITS

Exhibit 13: UDC Response to MAR No. 01-A-13

➢ Hiring of Additional Monitors

The hiring of additional staff in this area has been contingent upon the availability of adequate funding for this purpose. In the past two to three years, the University simply has not had the necessary available funds to "right-size this operation. Currently, the University is in the process of reorganizing its Support Services Unit(s). As part of the reorganization planning, management will assess the adequacy of staffing levels and the appropriateness of current staffing patterns. Thus, an assessment will be made as to whether such monitors will be needed. **(We are projecting that this will occur within one to three months.)**

➢ Assessment of Present Positions

The University is in the process of reorganizing the Support Services Unit(s). Accordingly, the Parking Garage Unit will be merged with the Transportation Unit, with the necessary personnel changes being made in the parking garage area. (Refer to other comments noted above under *"Hiring of Additional Monitors."*)

As a result of the follow-up visit, the OIG recommended that the University's President: (a) initiate effective security measures to ensure adequate safeguarding of cash collections against loss, misuse or theft and (b) monitor the activities of parking lot personnel to ensure that revenues from parking lot fees are collected and that facility maintenance personnel are onsite and performing their duties. With the implementation of the draft policies and procedures for parking fee collections, proper use of the fireproof safe and the installation of the automated parking system, cash collections will be better safeguarded against fraudulent activities and other improprieties.

The University is currently exploring options for reestablishing an internal audit/quality assurance function to the University. Until such is in place, Finance Division personnel will continue to monitor activities in the parking operations, in an attempt to identify potential problems and to implement, on a more proactive basis, the necessary corrective actions.

UDC Response to the OIG *Page 4 of 4*

EXHIBITS

Exhibit 14: DOC Response to MAR No. 01-A-08

GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF CORRECTIONS

Office of the Director

MEMORANDUM

To: Charles C. Maddox, Esq.
Inspector General

From: Odie Washington
Director

Date: May 31, 2001

Subject: **Response to Management Alert**

This memorandum responds to the three recommendations (from **Audit of the D.C. Department of Corrections Inmate Trust Fund, OIG No. 9763-35**) remaining open per your recent Management Alert.

Recommendation 1. We recommend that the DOC Director provide the OIG, within 120 days from the date of this report, a summary of the findings related to the reconciliation, report, and transfer of unclaimed and inactive funds.

Since the external auditing firm hired to reconcile the inactive inmate account balances failed to complete the work, the department has requested that the Office of Internal Audit and Internal Security (OIAIS) perform the reconciliation. We will inform you of the targeted completion date of the reconciliation after OIAIS holds the entrance conference. Upon completion of the reconciliation, any unclaimed inactive account balances will be transferred to the Unclaimed Inmate Deposits account and reported to the Mayor as abandoned.

Recommendation 2. We recommend that the DOC Director document procedures for the processing of inmate disbursement requests and provide a copy of this procedure to the OIG.

Under the direction of the Internal Controls Office, all DOC operating policies and procedures are currently under review. Revised Inmate Finance Unit procedures should be reviewed and finalized no later than July 31, 2001. A copy of the revised procedures will then be provided to the OIG. In the interim, the Inmate Finance Unit has already taken steps to reduce processing time for inmate disbursement requests. In particular, case managers have been informed that

1923 Vermont Avenue, N.W. Washington, D.C. 20001 (202) 673-7316

EXHIBITS

Exhibit 14: DOC Response to MAR No. 01-A-08

inmate disbursement requests must be forwarded to the Inmate Finance Unit within 24 hours of receipt. In addition, the Inmate Finance Unit no longer waits until 20 disbursement requests are received before taking action to process them. Inmate disbursement requests are now processed weekly regardless of the number of requests on hand.

Recommendation 3. We recommend that the DOC Director document procedures for the reconciliation of inmate accounts and provide a copy of this procedure to the OIG.

Inmate trust fund transactions in the Jail Management System are reconciled to the District government's financial management system (SOAR) weekly and monthly. Written procedures documenting the reconciliation process are targeted for completion by June 29, 2001.

If you have any questions, please call me on 673-7316, or Chief Financial Officer Ronald A. Gaskins on 671-2146.

cc: Ronald A. Gaskins, Chief Financial Officer
Clydie Smith, Executive Assistant
Joshua Agbebakun, Controller
LaStarza Hunt, Inmate Finance Supervisor

EXHIBITS

Exhibit 15: OCTO Response to MAR No. 01-A-15

GOVERNMENT OF THE DISTRICT OF COLUMBIA

01 AUG 15 PM 3:58

OFFICE OF THE CHIEF
TECHNOLOGY OFFICER

ONE JUDICIARY SQUARE
441 4TH STREET, N.W., SUITE 960
WASHINGTON, D.C. 20001

MEMORANDUM

TO: Charles C. Maddox, Esq.
Inspector General

FROM: Amado C. Alvarez, Jr. aca
Director of Telecommunications

DATE: August 14, 2001

SUBJECT: **Re: Management Alert Report (MAR-01-A-15)**

The Office of the Chief Technology Officer (OCTO) generally concurs with the findings in the Office of the Inspector General (OIG) Management Alert Report (MAR-01-A-15). OCTO has successfully completed a majority of the items concerning DC government technological and telecommunications deficiencies and has taken decisive action to address the others.

Specifically, in response to the Management Alert Report received on August 7, 2001, the Office of the Chief Technology Officer completed its review of the five (5) recommendations contained within MAR-01-A-15 and has attached a list of actions taken or planned, including target dates for completion, and explanations concerning issues and alternative actions.

OCTO will continue to work on any open or incomplete issues until their successful completion. If you have any questions concerning this response, please contact me.

1

EXHIBITS

Exhibit 15: OCTO Response to MAR No. 01-A-15

Re: Management Alert Report (MAR-01-A-15), OCTO attachments

Recommendation 1: Coordinate actions with District agencies and the vendor who provides telephone services to the District government to eliminate unneeded telephone lines.

OCTO Response: This recommendation has been specifically addressed.

Problem:

- Telephone numbers were billed incorrectly to the wrong agencies.
- Agencies were concerned about disconnecting lines that may not belong to them.
- Old Billing Account Codes (BAC) were not conducive to government use.
- Agencies did not receive copies of their bill.
- Agencies were not able to accurately budget for telephony

Response (Tab 1 provides supporting information.)

- OCTO established a Billing Hierarchy Code (BHC) structure.
- OCTO established the BAC Re-alignment Project in partnership with the Executive Office of the Mayor (EOM) and the Office of Finance and Resource Management (OFRM). The project began in May of 2000, was implemented and completed by the DC government in March 2001. The vendor concurrently is implementing a new billing system due to be completed September 30, 2001. Agencies were asked to inventory their telephone lines and data circuits, taking four months to accomplish the task. This involved all agency telecommunications coordinators and five OCTO personnel.
- Agencies certified telephone numbers and circuits to OFRM and the Office of the Chief Technology Officer. This occupied all OFRM personnel and OCTO for two days in August 2000.
- OCTO compared data received from agencies with Verizon's billing inventory, which took a month to verify with the Verizon vendor.
- OCTO determined that the Fall-Out from the comparison totaled 14,314 LINES.
- *OCTO placed calls to each telephone number.*
- OCTO interrupted service on the remaining telephone lines to identify ownership and determine whether to keep or disconnect each line.

RESULTS OF ACTIONS TAKEN

- Approximately 4,000 unneeded lines were disconnected (OIG was previously provided with a listing of all numbers disconnected).
- All agencies certified listings of their working telephone lines. These certifications were validated by the agency director.

1

EXHIBITS

Exhibit 15: OCTO Response to MAR No. 01-A-15

- Telephone numbers are now billed to the correct user agencies.
- Established WATCH, a DC web-based tool that provides a user-friendly application to assist the agencies in controlling their inventory and identifying unneeded telephone lines. The WATCH tool allows agencies to review their current Verizon telephone charges. The information available from the tool represents both current and prior billing period data. The OIG, as well as all DC government agencies, currently can view their Verizon bill and their long distance bill on WATCH. The enhancement to display cell/wireless phone bills is complete and bills will be displayed by September 28, 2001. The enhancement to display paging bills has started and meetings with paging vendors to discuss bill format requirements have concluded. The tool may be viewed at http://watch.dc.gov
- Through Watch, agencies assign telephone numbers to individual users or functions, allowing them to accurately track adds, changes, and disconnects.
- Agencies can now disconnect unwanted lines with confidence that the line belongs to their agency through the use of the web enabled billing tool, WATCH.
- New BHC structure embeds agency codes that DC government can recognize. This was developed because the old BAC had no universal reference system.
- The DC government has acquired Station Message Detail Records (SMDR) in real time from Verizon's Central Office. SMDR will assist the DC government in identifying unused telephone lines.
- Agency Telecommunications Coordinators are being coached in the use of the tools to detect unneeded and underutilized telephone lines. The initial training on WATCH took place during April 2001. Agency Telecommunication Coordinators and a few Chief Financial Officers were trained on the navigation and positive impact of WATCH to their agencies.
- The overall results: numbers are validated and assigned to owners; agencies are now able to very quickly identify numbers that should be disconnected; and the agencies are now able to accurately budget their telephony.

Recommendation 2: Coordinate actions with the Office of the Mayor in issuing policies that require periodic analysis of line utilization and have all underutilized lines disconnected.

OCTO Response: OCTO will implement this course of action:

OCTO will develop and present to the Office of the Mayor a draft policy for mandatory use by the agencies of the web-based billing tool WATCH. This draft proposal will be presented to the Office of the Mayor by November 1, 2001. OCTO has developed a WATCH "Hits Count" monthly tally for distribution to the agencies' leadership team. This "Hits Count" records the number of times that the agencies access WATCH in a given month.

Recommendation 3: Take advantage of DC Code 47-2005 and deduct Gross Sales Receipt Tax surcharges from telecommunications bills before payment.

2

EXHIBITS

Exhibit 15: OCTO Response to MAR No. 01-A-15

OCTO Response: (Tab 2 contains a copy of the June 11, 1999 memo from the Office of the Corporation Counsel.)

This recommendation was specifically addressed in memos from my office to you dated September 29, 1999 and January 22, 2001. The Office of the Corporation Counsel has reviewed your recommendation and has concluded that "...the exemption contained in DC Code 47-2005 ....is inapplicable." Until either the DC Code or the recommendation from the Corporation Counsel is changed, OFRM likely will continue to pay the Gross Receipts Tax. OCTO can take no further action relating to this matter.

Recommendation 4: Coordinate an inventory of all District telecommunications equipment and have the results of the inventory certified by each agency head.

OCTO Response: (Tab 3 provides supporting data.)

This recommendation has been specifically addressed in the Unified Communication Center Telecommunications Integration Planning Project (UCC-TIPP). TIPP is the inventory and asset database that the Office of the Chief Technology Officer (OCTO) has under development. This system will provide the OCTO a depository for the inventory of all telecommunications assets and will allow OCTO to provide oversight and direction to all agencies on the use and purchase of telecommunications assets. The single agency system trial, using the Department of Public Works, is scheduled for September 30, 2001. This system will assist the agencies in bill verification as well as asset management of telephony.

Recommendation 5: Coordinate the development of a network diagram of the District's telecommunications system and require that the diagram be maintained to reflect periodic changes.

OCTO Response: (Tab 4 provides a hard copy and a soft copy of the network diagram.)

This recommendation was provided to the OIG on July 27, 2001, and has been specifically addressed by the development of the Network Diagram of Central Payment Agency Telephone Line Count. This diagram will be updated every three months and on demand.

MAR-01-A-15 additionally states, "We reviewed the District's monthly telephone bill (call the Power Bill), dated February 4, 2001, and sampled the District's use of 31,511 telephone lines. The results of our sample revealed that approximately 6,621 telephone lines were either disconnected (4.62 percent or 1,456 lines) or not actively used (16.39 percent or 5,165 lines). We estimate costs associated with these lines to be approximately $1.578 million dollarsper year. ....the District is in fact paying for disconnected telephone lines."

3

EXHIBITS

Exhibit 15: OCTO Response to MAR No. 01-A-15

OCTO disagrees with the conclusions of the OIG.
Working from the audit worksheets provided by the OIG, OCTO has researched:

- the total lines in sample (11) representing 4.62%, listed as INACTIVE and NOT IN SERVICE
- and, the total lines in sample (39) representing 16.39%, listed as not actively used, ACTIVE NO ANSWER.

Our research indicates the following:

- Of the total lines in the sample (11 lines), representing 4.62%, listed as INACTIVE and NOT IN SERVICE, ten (10) of the eleven (11) numbers were disconnected from service. Four were disconnected on April 16, 2001, and six on May 14, 2001, with the last occurrence on the Power Bill in April and May 2001. One number was disconnected from service on May 14, 2001, but billing did not stop until August 14, 2001. A credit will appear on the September 1, 2001, bill. (See Tab 5.)
- Of the total lines in the sample (39 lines), representing 16.39%, listed as not actively used, ACTIVE NO ANSWER: one number has a trouble indicator (Verizon Trouble Ticket MG406703), seven (7) numbers were answered, and thirty one (31) numbers were not answered. This "active, ring no answer" indication could mean that the telephone lines are assigned to one of the following functions:
  - Building alarms for DC Government buildings, e.g., libraries, schools
  - Elevator telephones
  - Traffic signal lights
  - Heating system heat sensors
  - 911 back-up at 300 Indiana Avenue
  - McMillian Drive back-up
  - EMA Command Center
  - DPW gas pump alarms
  - EMA street pedestals for events
  - EMA pedestal at the bridge

OCTO will assist the agencies in updating WATCH to indicate the function of telephone lines associated with their agency. After implementation of mayoral policy November 1, 2001, OCTO will assume an oversight function to ensure compliance.

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EXHIBITS

Exhibit 16: Schedule of Questioned Costs

SCHEDULE OF QUESTIONED COSTS

AGENCY	OIG MAR No.	QUESTIONED COST	REASON
LOTTERY BOARD	01-A-06	$655,000	The Lottery Board had written off Lottery ticket sales revenue, totaling $500,00, without adequate support or justification. Also, $155,000 is currently due from various lottery agents.
DCPS	01-A-12	$700,000	During FY 2000, the District of Columbia Public Schools paid unemployment benefits in excess of $700,000 to ineligible beneficiaries.
UDC	01-A-13	$82,200	UDC paid over $82,200 for telephone services that were either tax-exempt or for services not provided.
DHCD	OIG NO. 11-99-CD	$245,000	DHCD could not support total disbursement of $350,000 made for the New York Avenue Metrorail Feasibility Study. Documentation to support only $105,000 was provided to this office.
TOTAL		**$1,682,200**	

EXHIBITS

Exhibit 17: Schedule of Audit Reports Reviewed

Agency	Issue Date	Audit Report	Recommendations			
			Made	Corrected	Open	OBE
UDC	7/20/99	Audit of the University of the District of Columbia's Telephone System, (OIG No. 9839-14-99GF-9917).	3	1	2	0
	7/20/99	Report on the Audit of Parking Fee Revenue at the University of the District of Columbia For the Period August 1, 1997 to May 15, 1998, (OIG No. 19-99-GF-9919).	5	3	2	0
	9/17/99	Audit of Tuition Collections by the University of the District of Columbia's Division of Continuing Education, (OIG-4-99GF-9921).	16	16	0	0
DHCD	2/22/00	Audit of the DHCD's Administration of Funds Provided to Community Development Corporations, (OIG Report No. 11-99CD).	23	20	3	0
OFRM	9/28/98	Review of Controls Over the Telecommunications System Within the Gov't of the District of Columbia (OIG No. 9830-09). **Note: Same report used for OCTO follow-up review.**	7	6	1	0
	2/11/99	Controls Required to Identify Unneeded Telephone Lines and to Eliminate Unauthorized Telephone Charges (OIG No. 9839-18-9911). **Note: Same report used for OCTO follow-up review.**	2	1	1	0
OCTO	9/28/98	Review of Controls Over the Telecommunications System Within the Gov't of the District of Columbia (OIG No. 9830-09).	9	6	3	0
	2/11/99	Controls Required to Identify Unneeded Telephone Lines and to Eliminate Unauthorized Telephone Charges (OIG No. 9839-18-9911).	7	7	0	0
LB	9/30/98	Audit of the District of Columbia Lottery and Charitable Games Control Board (OIG No. 9812-08).	29	22	7	0
DOC	11/18/97	Report on the Review of Overtime Claimed by Employees of the Department of Corrections' Work Programs, (OIG No. 9812-03).	13	9	0	4
	12/19/97	Cash Verifications of the Department of Corrections' Imprest Funds, (OIG No. 9810-04).	6	6	0	0
	8/6/98	Audit of the District of Columbia Department of Corrections Inmate Trust Fund, (OIG No. 9763-35).	21	10	5	6
DCPS	9/10/99	Unemployment Compensation Payments to District of Columbia Government Employees, (OIG No. 6-99-CF-9920).	3	0	3	0
	12/23/98	Audit of the Direct Activity Purchase System and the Student Activity Funds at the Margaret Murray Washington Career High School Oct. 1, 1996 to Jan. 31, 1998, (OIG No. 9812-15)	14	14	0	0
	6/22/99	District of Columbia Public Schools Audit of the Special Education Program Fiscal Year 1998, (OIG-7-99-GA-9916)	13	13	0	0
	11/10/99	Audit of the Direct Activity Purchase System Account Disbursements at Ballou Stay High School, (OIG-15-99-GA)	5	5	0	0
	12/2/99	Audit of the Direct Activity Purchase System and Student Activity Fund at Ballou Senior High School, (OIG-15a-99-GA)	8	8	0	0
	3/3/98	Audit of the Direct Activity Purchase System Fund Barnard Elementary School, (OIG-9735-14)	6	4	0	2
	8/27/97	District of Columbia Public Schools, Student Enrollment Count Remains Vulnerable to Errors. GAO/HEHS-97-161	4	4	0	0
		Total Recommendations	194	155	27	12

EXHIBITS

Exhibit 18: OCTO Response to Draft Report

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF TECHNOLOGY OFFICER

Suzanne J. Peck
Chief Technology Officer

MEMORANDUM

TO: Charles C. Maddox, Esq.
Inspector General

FROM: Suzanne J. Peck
Chief Technology Officer

DATE: February 20, 2002

SUBJECT: Response to draft report on the Audit of District Agencies' Investigation of Audit Recommendations (OIG No. 01-1-01MA).

This is to address your January 15, 2002 letter to John A. Koskinen, regarding the draft report on the Audit of District Agencies' Investigation of Audit Recommendations (OIG No. 01-1-01MA).

You've requested (referenced MAR, pg 15) that OCTO reconsider or further clarify the following issues:

1. The deduction of Gross Sales Receipt Tax from telecommunications bills;
2. The "incompleteness" of the network diagram; and,
3. The identification of "...unnecessary and underutilized..." telephone lines.

We've conducted a thorough investigation of each of these issues, and our response to each follows:

1. The OIG recommendation to deduct Gross Sales Receipt Tax from telecommunications bills cannot be directly addressed by OCTO. The Corporation Counsel's opinion, as stated in the attached letter from Julia L. Sayles, Assistant Corporation Counsel, is legally binding for the District government, and conflicts with the OIG interpretation of the exemption contained in D.C. Code § 47-2005(1). Thus, we recommend that the OIG and the Corporation Counsel must resolve this issue. Furthermore, OCTO does not pay the bill it is paid by the Office of Finance and Resource Management (OFRM)

2. OCTO has taken steps to revise and date the network diagram, as the OIG report recommended, so that it more closely mirrors the actual architecture of the District's network, in real time. The particular network diagram that OIG reviewed only represented the telephone numbers that the agencies had certified at that point in time. It was OCTO's *first* iteration of this diagram, and should have been

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EXHIBITS

Exhibit 18: OCTO Response to Draft Report

considered only as a draft. OCTO has attached a later iteration of the network diagram, which incorporates all certifiable telephone numbers on the Verizon Power Bill.

3. OCTO cannot agree with OIG's conclusion that the District incurred a cost of nearly $1.6M for unused telephone lines, for the following reasons:

   a. The sampling of approximately *one-half of one percent* of 31,511 District telephone lines is simply not a valid sample. The OIG cited eleven (11) numbers out of 268, as being inactive. Between the date of the OIG sample and the release of the report, agencies disconnected nine (9) of the numbers in routine administrative activities. One of the numbers cited was invalid – as it was a billing account code, not an actual telephone number – and the remaining number had open trouble reports. Therefore, the OIG's data extrapolation of 1,456 lines is without merit as there were, in fact, **no** inactive lines included in their sample.

   a. Furthermore, OCTO believes that OIG's conclusion that 16.39% (39) of the sample universe (238) was "…underutilized or not actively used," is also flawed. OIG's data extrapolation that the District paid $375,000 for not-in-service telephone lines, and $1.2 M (annualized figures) for "…underutilized or not actively used," telephones, is erroneous. Of the thirty-nine (39) lines identified by the OIG as "…underutilized or not actively used," (OIG phrase meaning, "not answered by a person") OCTO's investigations of these same thirty-nine (39) lines resulted in the following:

      - Seven (7) were actually assigned to individuals at the time; and,
      - Of the remaining thirty-two (32) lines, one had an active "trouble indicator," and the remaining thirty-one (31) were being used for a variety of purposes, such as: building alarms, elevator phones, traffic signal controllers, environmental controls, administrative public safety circuits, back-up data circuits, or emergency response pedestals.

   b. Lastly, there must be a realization that all District telephone numbers are generally a "fluid pool" — meaning that for a variety of legitimate administrative reasons, agencies hold on to inactive numbers, anticipating additional near-term requirements. Because of this, no real inference can be assumed that any given "unanswered" number is truly "inactive" without verifying with that specific agency why any particular number might not be disconnected. In today's high technology environment, telephone lines are not only used by people talking to people, but also for machines talking to machines, or machines waiting to respond to other machines.

Should you have any questions about this response, you may call me or my Chief of Staff, Linda Argo at 727-9247.

Attachments

cc: John Koskinen

EXHIBITS

Exhibit 19: DHCD Response to Draft Report

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Department of Housing and Community Development

JUL 10 2001

Charles C. Maddox, Esq.
Inspector General
Office of Inspector General
717 14th Street, N.W.
Washington, DC 20005

RE: Management Alert Report (MAR 01-A-16)

Dear Mr. Maddox:

Pursuant to the June 27, 2001 letter that summarized the results of your review of the Department of Housing and Community Development's (DHCD) implementation of OIG recommendations in response to OIG Report No. 11-99CD (Audit of the Department of Housing and Community Development's Management of Funds Provided to Community Development Corporations), I am providing additional requested information, as follows:

OIG Request for Recommendation 1: Provide the OIG with the response from the CFO regarding the recommendation to realign the Internal Audit Division within the Office of the Chief Operating Officer.

DHCD Response: The CFO's response is as follows:

The OIC recommended that the Director, DHCD move the Audit Division to the Office of the Chief Operating Officer.

The DHCD Chief Financial Officer CFO) disagrees with this recommendation. The DCHD CFO has established an Audit Division in its organization to provide independent reviews of DHCD's fiscal operations. Maintaining oversight of financial and budgetary functions remains a priority of the District's Office of the Chief Financial Officer

The OIG recommended that the Director, DHCD expand the scope of potential audit coverage to include all DHCD activities and functions.

The DHCD CFO agrees with the OIG recommendation, and will work with the Director, DHCD to establish audit coverage for program activities and functions, and will ensure that the Audit Division coordinates its fiscal reviews with the program officials.

The OIG recommended that the Director, DHCD prepare and execute an annual audit plan with sufficient flexibility to allow for emergent (unplanned) audit work

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Exhibit 19: DHCD Response to Draft Report

and develop the plan based on an assessment of risk of DHCD activities to fraud, waste, and mismanagement.

The DHCD CFO agrees with the recommendation. However, as stated earlier the Audit Division is a component of the Office of the Chief Financial Officer. As such, the DHCD CFO will ensure that the Audit Division works with the CFO's Office of Internal Audit and Internal Security to develop a risk-based audit plan for DHCD financial operations.

The OIC recommended that the director, DHCD discontinue routine use of auditors for non-audit efforts.

DHCD is audited by a minimal of three different sets of auditors during each fiscal year. The internal audit staff within the Comptroller's Office provides technical assistance in preparation and responding to these auditors as part of their overall responsibilities. The agency does not feel that this represents a conflict in time or schedule, but enhances the overall effectiveness of DHCD

The OIC recommended that the Director, DHCD revise position descriptions and organizational functional statements to require DHCD auditors and the Division to comply with Government Auditing Standards.

The DHCD agrees with this recommendation and will coordinate with the OCFO's Office of Internal Audit and Internal Security to ensure proper functional statements are prepared and that audits are conducted in accordance with generally accepted government auditing standards. In addition, the DHCD CFO will review the auditor position description and revise if necessary.

<u>OIG Request for Recommendation 2.</u>: Provide the OIG complete documentation to support all disbursements made for the New York Avenue Metrorail Feasibility Station Study.

DHCD Response: Enclosed are documents that support disbursement of funds for the New York Avenue Metrorail Feasibility Station Study. The enclosures consists of SNYAI payment requests, Parsons Transportation Group, Inc. (PTGI) invoices, progress reports, a detailed cost breakdown, PTGI labor distribution report, PTGI expense detail report, PTGI fringe benefits and general overhead expenditures audit report for 1998, and SNYAI A-133 audit report. I hope these documents are sufficient to satisfy any concerns you may have regarding expenditures for this project.

Should you have any questions, please contact me directly on (202) 442-7210, or Jackie Douglas, Acting Manager of the Office of Program Monitoring on (202) 442-7241.

Sincerely,

Milton J. Bailey
Director

Enclosures

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EXHIBITS

Exhibit 20: City Administrator Response to Draft Report

GOVERNMENT OF THE DISTRICT OF COLUMBIA
EXECUTIVE OFFICE

OFFICE OF THE CITY ADMINISTRATOR
DEPUTY MAYOR

ENTERED 856 2/14/02

February 11, 2002

Mr. Charles Maddox
Inspector General
717 14th Street, NW
5th Floor
Washington, DC 20005

Dear Mr. Maddox,

Thank you for the opportunity to comment on your report, *Audit of District Agencies' Implementation of Audit Recommendations* (OIG No. 01-1-01MA).

As you know, your Management Alert Report (MAR No. 01-A-07) recommended that this office "establish a finding and recommendation tracking system" to ensure that the District can "complete effective action on recommendations" made to it by "GAO. federal inspectors general, non-government auditors …, and the OIG." (MAR No. 01-A-07 at 3).

Pursuant to that recommendation, I directed the Operational Improvements Division (OID) of the Office of the City Administrator to develop such a system. OID designed a database and recommendation tracking protocol that meets the intent of OMB Circular No. A-50. The recommendation tracking database has the text and status of over 150 recommendations, and more are being added as we receive reports, studies, and audits.

The OID will soon be sending a regular report to various agency directors to ensure that they know what recommendations are outstanding and to verify that recommendations that an agency agreed to implement are being implemented.

We have already seen the value of this tracking system and are optimistic that it will continue to be a valuable management tool in the future.

Presently, we have not sought legislation to require independent agencies to submit information for inclusion in the tracking system because we have been getting copies of reports from agencies and from the originators of the reports. If, however, the receipt of such information becomes problematic, we are fully prepared to seek the recommended legislation from the D.C. Council.

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Exhibit 20: City Administrator Response to Draft Report

Mr. Charles Maddox
February 11, 2002
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As your report indicates, the large majority of the recommendations you examined were implemented. We attribute this, in part, to the ability to more closely monitor the status of such recommendations through the use of the tracking system we have implemented.

Thank you, once again, for the opportunity to comment on your report. Should you or your staff have any questions about the operation of the tracking system, please do not hesitate to call Erik Gaull, Director of the Operational Improvements Division, at (202) 727-6053.

Sincerely,

John A. Koskinen
Deputy Mayor/City Administrator